

THE GULF WAR

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withdraw

SCENTING victory a convoy of Saudi tanks and armoured vehicles races towards Kuwait City



SMILING Crown Prince Saad



VICTORY sign from Ghazi al-Rayes, Kuwait's UK envoy

Al-Sabah poised to return to shattered Kuwait

By Tony Walker in Riyadh

WITHIN days Sheikh Saad al-Abdullah al-Sabah, the Kuwaiti crown prince and prime minister, may be leading his exiled government back into Kuwait seven months after it was put to flight by Saddam Hussein's legions.

Much has happened since that fateful August 2 morning, Sheikh Jaber al-Ahmed al-Sabah, Kuwait's 64-year-old ruler, was not over-stating things when he declared this week that "the Kuwait of tomorrow is not the Kuwait of yesterday given the dimensions of the heavy duties we face."

Not least of the tasks facing the returning administration will be the reconstruction of the battered country. Some estimates put the cost of repairing the damage wrought by the Iraqi occupiers at well over \$100bn.

More difficult than this will be the task of bringing order to chaos, rebuilding institutions and, perhaps most awkward, working out a new relationship between rulers and ruled.

Sheikh Jaber and his cousin Sheikh Saad would be foolish to believe they will be able to pick up where they left off in the family fiefdom known in business circles as Kuwait Inc. Mr Saddam's brutal intervention in Kuwait's affairs has ensured that things in the tiny, oil-rich emirate will never be the same again.

Even before the invasion there were stirrings in the emirate. A pro-democracy movement was challenging the status quo, Kuwaitis were demanding the re-convening of parliament suspended in 1986 and the holding of free elections under a relatively liberal constitution that dates from the years after Kuwait gained its independence from Britain in 1961.

Under pressure to provide a real measure of democracy

Under pressure, the al-Sabah promised the restoration of democracy even as it was trying to change the ground rules by seeking to modify the constitution which invests parliament with more authority than almost any other similar institution in the Arab world.

Arguments about democratic freedoms were continuing in Kuwait itself until the day Iraqi tanks rolled across the border. In those first moments after the invasion, Mr Saddam even tried to pretend that

pro-democracy activists had invited Iraq's intervention.

That, of course, was nonsense, but the invasion did further stimulate debate among Kuwaitis about democratic freedoms. The al-Sabah will have difficulty restraining these demands. Sheikh Jaber, in his National Day message this week, promised to restore a sort of democratic life to "a new Kuwait." The problem is the ruling family's view of how democracy in Kuwait should function does not necessarily correspond with the wishes of democrats intent on making the al-Sabah more accountable to parliament under the terms of the constitution.

Opposition groups will not necessarily have been encouraged by Crown Prince, Sheikh Saad's remarks this week. When asked whether he would bring back the legislature he said: "Yes, but in the right time... This is one of the questions which could be discussed" after the monarchy retakes control of Kuwait.

The opposition is forming a National Constitutional Front to press their demands and parliament will represent almost the entire Kuwaiti political spectrum from Islamists on one side to liberals on the other who are seeking parliamentary representation for women. Allied with efforts to restore parliament and the constitu-

tion will be a drive to remove press shackles.

Kuwait has spawned over the years some of the liveliest and best quality newspapers in the Arab world, but for most of the 1980s the press was restrained and any criticism of the ruling family was effectively banned.

Censorship became more pronounced after the 1986 suspension of parliament. Sheikh Jaber cited a foreign conspiracy aimed at destroying Kuwait and deflecting it from its support of Iraq in the Gulf war as the pretext for the closure of the National Assembly. He was referring to a series of terrorist bombings in Kuwait and attacks on its interests abroad by Iranian-backed local Shia Muslims, some of whom were released from jail last August by the invading Iraqis.

Local opposition figures, including the 26 MPs who made up an unofficial opposition in the 50-member parliament, detected other more self-serving reasons for the closure of the Assembly which had been used as a forum for increasingly pointed criticism of the al-Sabah. Some of the local Souk al-Manakh stock market.

Members were asking how it was that the Government could have allowed one of the most spectacular stock market crashes in history

paper debts totalled \$7bn, many times the capitalisation of all Kuwait banks and how influential individuals close to the royal family were able to borrow vast sums from the banks without security to fund speculative share trading. This was by no means the first time allegations of corruption had been levelled at influential al-Sabah, some

Some fear a witchhunt against Palestinians

of whom occupy very senior positions in the government to this day.

One of the issues Kuwaitis are certain to press with their rulers when the euphoria of regaining their country wears off, is how it was that Kuwait's defences and security were so disorganised when the Iraqis invaded. Some of Kuwait's military commanders and security chiefs continued holidaying in Europe even as reports emerged of Iraqi troops massing on the border in the days before August 2. There has even been talk of putting some of those responsible for

lax defence preparations on trial. Another vexed issue is certain to be relations with the Palestinians. Before Iraq's invasion, Kuwait was home to the largest single Palestinian community outside the occupied territories and Jordan.

Many have fled in the last seven months, but a substantial number remain and there is certain to be suspicion between returning Kuwaitis and Palestinians, many of whom are suspected of collaborating with Iraq. Bitterness between the two communities may well prove to be a continuing source of tension. Witchhunts are likely.

Kuwaiti ministers are saying openly they expect previously indulgent Kuwaiti society to become more self-reliant, less dependent on outside labour in the new era. That remains to be seen, but one of the more shameful aspects of Kuwait in the past was the widespread mistreatment of domestic workers, many of whom came from the Indian subcontinent and from Thailand and the Philippines.

Another potential source of trouble may arise between the 200,000 300,000 Kuwaitis who stayed behind and the more than 500,000 who fled or who were out of the country for their summer holidays when the invasion struck. Those who remained in Kuwait may be resentful of those who did not show the

same steadfastness.

Kuwait and Kuwaitis have endured a national trauma and it would be surprising if cross-currents, perhaps some of them ugly, did not emerge. There will also be the continuing grief over the estimated several thousand Kuwaitis killed by the Iraqis, and the perhaps as many as 10,000 Kuwaiti prisoners-of-war said to be in Iraq.

At the same time, the authorities face a huge rehabilitation and reconstruction task. The al-Sabah almost certainly understand that on the success of this effort will rest some of their claims to continuing legitimacy. One commodity that is not in short supply is money, although exile has been expensive.

The so-called Fund For Future Generations, a huge investment portfolio said to be worth as much as \$100bn before the invasion, provides Kuwait's rulers with the wherewithal to introduce an emergency relief programme to rebuild the country from the ground up and perhaps most important to put out the fires that are burning out of control in more than 500 oil well-heads, causing losses of something like \$100m a day.

As a Kuwaiti official in Riyadh said yesterday: "When we return home, we will have to start from scratch."

Future of KIO assets is likely to be a controversial issue

Secretive office leads revival strategy

By David Owen

THE SECRETIVE Kuwait Investment Office (KIO), which handles about \$30bn of Kuwait's extensive overseas assets, will be at the heart of the emirate's post-war financial strategy.

The London-based body's reserves now constitute the state's "only financial source", according to Sheikh Salem Abdul-Aziz al-Sabah, the Kuwait central bank governor. As such, the office has already been supplying funds to other elements of the economy in exile, even though the assets it handles are technically kept in the Reserve Fund for Future Generations (RFFG), which amounts to a lucrative state pension fund.

One key decision will be the extent to which the office's assets need to be liquidated to help pay for the war effort and the cost of rebuilding the coun-

try. Other options, such as borrowing against the state's oil reserves, have been mooted.

Officials have stated that the government has not yet been forced to dip into the office's large pool of stock, bond and property holdings.

Others are sceptical of these claims. "Of course they have been selling assets," said one former insider recently.

A few publicly disclosed assets are known to have been sold. The office's 21.5 per cent holding in Dewey Warren, the mortgage company, was disposed of in September for 70p a share.

The 10.1 per cent stake in Mount Charlotte Investments, Britain's second-largest hotels group, has also been offloaded. So was Ertol, a unit of Enxoro, Spain's largest chemicals producer, whose main shareholder is controlled by the KIO.

Not known is whether sizeable sales of the state's array of non-disclosable holdings have been made. According to a former KIO executive, Kuwait has held small stakes in most blue-chip companies in all big world stock markets throughout the past decade.

Recent changes at both the KIO and its parent the Kuwait Investment Authority (KIA) suggest that those making the key decisions in the immediate post-war environment will be close associates of finance minister Ali al-Khalifa al-Sabah and the ruling al-Sabah family.

This was not always a foregone conclusion. Friction between the al-Sabahs and prominent outsiders who want clearer distinctions between the rules and interests of the state and the ruling family has been reflected in the running of Kuwait's investment bodies

since the KIA's creation in 1982. In a nutshell, the KIO has traditionally been identified with the al-Sabahs, while the KIA has been linked rather with the outsider grouping.

In recent years the KIA had appeared to be gaining the upper hand in the low-level sniping between the two bodies. This was never more so than last February when it was decided to recall to Kuwait Mr Fouad Jaffer, the long-serving KIO general manager.

But the Iraqi invasion has tilted the power balance back in favour of the KIO, enabling the ruling family to assert its control. If much of Kuwait's wealth had not been entrusted to a relatively independent body based in the safe haven of the City of London, the emirate might have been effectively paralysed.

One consequence of this shift came in January with the resignation in an unprecedented protest about the office's management structure of 12 KIO executives headed by Mr Salah al-Mousherji, assistant general manager.

Another came earlier this month with the replacement of four members of the KIA's management board, including Mr Fahad al-Rashed, the managing director. This was interpreted as an attempt by finance minister al-Khalifa to consolidate his control over the exiled organisation and to paper over the rift with its London-based subsidiary.

The intensification of this long-running inter-organisational tussle has done nothing, meanwhile, for the KIO's almost mystical City reputation as a repository of tranquility and investment expertise.

By Stephen Fidler, Euromarkets Correspondent

THE Kuwaiti government, faced with the giant task of reconstruction, is expected to be a significant borrower in the international financial markets in coming years, despite its huge stock of assets, conservatively estimated before the invasion at \$100bn.

The loss of oil revenues, the financing of the war and help to friendly nations will have reduced this figure but assets still remain significant. However, Kuwait is likely to borrow large sums as it tries to avoid large-scale disposals of assets which could destabilise the world's stock and bond markets.

Before the experts have assessed the damage, estimating what Kuwait will need is little more than guesswork. Figures as high as \$100bn have been suggested, although some bank estimates are lower - perhaps half that figure.

The government will also have to assess what it wants to rebuild and what it does not need. In a world of mobile telephone technology, for example, there seems little point in rebuilding a terrestrial phone system.

Kuwait will be able to tap foreign financing in a number of ways, traditional and more innovative. It will have access to simple balance-of-payments financing in unsecured loans from commercial banks, assuming the comprehensive defeat of President Saddam is seen as leaving the region significantly more secure.

It will also be able to use export credits from the western governments whose companies participate in the reconstruction. Those companies -

expected to be led by Bechtel of the US - may themselves bring in finance. Builders of power stations are among those conventionally expected to provide finance along with construction expertise.

Kuwait also has two main types of asset to offer banks as security - its foreign financial assets and its oil exports.

It may prefer to borrow relatively cheaply against the security of the financial assets, for example, its 9.8 per cent stake in British Petroleum, rather than hit the market in BP shares by selling those assets.

Similarly, financing oil export projects is easy. Most of the development of the North Sea oil field has been financed by banks with expertise in the area. The repayments on their loans are secured against future receipts from oil deliveries.

With some adjustment, the replacement of Kuwait's damaged oil refineries can also be financed in this way, say bankers. The adjustment is needed simply because refineries' profit margins more frequently turn negative, so there is not always a guaranteed cash flow to pay off the banks.

Many projects may also be handled by the private sector. Hotels fall into this category but there are a large number of other projects, previously under the government's wing, which could be handled by the private sector.

The role of the US in freeing Kuwait is expected to benefit US banks, who are expected to play a large role. But it is widely expected that those institutions which panicked and cut credit lines to Kuwait

banks at the time of the invasion, which include some US banks and a significant number of Japanese - will not see much business.

But it is still early days, and there are many uncertainties. It is by no means clear that the individuals who headed key departments before the invasion will return to their previous posts. There will be other changes too. Kuwait has never before been a borrower. Bankers reckon the discipline of borrowing could change the way the economy is run. In the past, resources appeared to be unlimited. Now Kuwait will be forced to join the world of real economies where hard choices are made.

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Reconstruction costs likely to top \$100bn

By Andrew Taylor, Construction Correspondent

PREPARATIONS for rebuilding Kuwait were in hand well before the land offensive started. But the scale of work needed has only become clear in the past few days as the extent of the devastation caused by the Iraqi forces has become apparent.

Not just oil wells and refineries have been set alight. Many buildings in Kuwait City, including several western-owned hotels, were yesterday reported burning or destroyed. The cost of rebuilding the country had been estimated as high as \$100bn (\$50.5bn). Some

engineers say this will rise as the true extent of the damage becomes known.

The first job for engineers after clearing mines will be to reconnect essential services and make buildings and main roads safe. Some consultants say it could be several months before civilians can safely return. A priority will be to restore basic water and sewerage systems to prevent disease. Hospitals will need to be re-equipped or rebuilt.

The initial phase of emergency repair work will be managed by the US Corps of Engi-

neers. Early this year the Corps was awarded a 90-day contract by the exiled Kuwait government to conduct emergency repairs after the fighting. It is important, if order is to be restored quickly, that work gets under way quickly.

Last week a document went to UK companies asking if they wanted to register an interest in bidding for some of this work. The document had to be returned to the Corps of Engineers by Wednesday night - four days before the land offensive started.

The value of contracts offered to UK companies was only \$48m. Total cost of emergency repair work is likely to run into hundreds of millions of dollars. The document lists main areas for consideration: clearing roads and reconnecting highways, restoring water, sewerage and electrical systems, re-opening ports and airports, and emergency repairs to buildings.

It said contracts might be awarded by either the US or Kuwait governments. Some UK companies have complained that US groups have secured a

privileged position in bidding for reconstruction work. The British Department of Trade and Industry last week complained to the US government about the short notice given to UK companies to register their interest in bidding for emergency repair work.

Kuwait has pledged that UK companies will win a fair share of this work. But it will not be surprising if US companies take the lead, given the US commitment to the rescue of Kuwait. Britain, as second biggest contributor, also seems set for a large share of contracts.

THE GULF WAR

Triumphant homecoming through deserted defences

By Victor Mallet, west of Kuwait City

ALLIED forces made a triumphant advance towards Kuwait City yesterday, storming across the desert with columns of tanks and armoured personnel carriers to rout Iraqi forces from the city.

Jubilant Kuwaitis took the lead in a joint Arab assault from the west, waving and cheering from their tanks and firing machine guns to celebrate their homecoming.

Kuwaitis, joined by Saudi and Egyptian armoured units and US liaison officers, met little resistance from Iraqi troops demoralised by a month of aerial bombardment.

As US A-10 "Tankbuster" jets bombed the Iraqi defences ahead of the land offensive, Iraqi soldiers emerged in droves from their trenches and foxholes, holding up white flags.

The military balance in the war to liberate Kuwait has heavily favoured the allied forces. President Saddam Hussein must nevertheless face the consequences of having courted and then suffered one of the most humiliating defeats in the history of warfare.

From what we saw in the Kuwaiti desert, the "Mother of Battles" ...

the ground war which the Iraqi leader thought would turn the tables after the allied air bombardment - was a walkover.

Iraqis surrendered by thousands, abandoning guns and ammunition and leaving behind them the charred hulks of tanks already destroyed by allied bombing. They said they detested Mr Saddam and drew pictures in the sand to explain the location of their defences.

From the south-west corner of Kuwait to Jahra in the east, we saw not a single Iraqi or allied casualty yesterday.

Columns of Kuwaitis, Egyptians and Saudis advanced north under their own artillery bombardments and then made a charge to the east. The much-heralded Iraqi defensive lines were unimpressive. We crossed a still-burning but nearly empty trench that had once been filled with oil and traversed a series of minefields, barbed-wire obstacles and "barricades" none of which caused serious problems for the allied engineers.

As we turned to the east and headed for Kuwait City, it seemed as if the whole desert was full of

armoured vehicles and supply trucks.

The sky was black with smoke from burning oil wells sabotaged by the Iraqis, and a greasy soot fell on the soldiers and their vehicles.

All around were abandoned Iraqi foxholes, their corrugated iron roofs providing little protection against the bombing. They had left their weapons, their gas masks, their dirty cooking utensils, their blankets and even their shaving brushes and razors. The desert is littered with bomb casings and shrapnel and pock-marked with holes. But

camels grazed among the debris, apparently unconcerned by the explosions which shook the ground around them.

The Kuwaitis were overwhelmed with emotion, hardly able to believe that they were helping to liberate their country after seven months of occupation.

Sheikh Jaber al-Sabah, the Emir, has declared martial law for three months and appointed Sheikh Saad al-Sabah, the crown prince and prime minister, as military governor, according to Kuwaiti radio. The move is certain to anger

Kuwaiti pro-democracy activists who fear the autocratic tendencies of the ruling family, but yesterday those feelings were set aside.

Kuwaiti flags, inscribed with the words "God is great" in Arabic, fluttered from the armoured vehicles as over-zealous Kuwaitis ignored orders and rushed ahead of the allied lines in their eagerness to get home.

"I'm so happy," said Satiam al-Shamari as he stood beside his armoured personnel carrier. "With the help of all our friends we have crushed Saddam and come home."

'This is what the liberation of Paris must have felt like, but Kuwait City looked more like Beirut'

Jubilation as shattered capital is liberated

By Jimmy Burns in London and agencies

KUWAIT CITY is today a battered and plundered urban landscape, as if it had fallen victim to some near-apocalyptic disaster.

As fighting continued on the edge of the city, the first live report came from Bob McKeown of CBS, the US television network. Made in poor light it nevertheless showed the jubilation of the Kuwaitis at being liberated.

CBS also showed the chaos of warfare along the desert approaches to the city. Along one highway leading into the city there were burned-out Iraqi tanks and other military vehicles.

Further into town, there were undamaged but abandoned Iraqi vehicles, some with clothes strewn about: a telling image of the panic retreat by Iraqi soldiers.

"It's not Kuwait City anymore," commented one distraught Kuwaiti woman after describing the summary execution of civilians in recent days.

Surrounded by ecstatic Kuwaitis, McKeown said that this was what the liberation of Paris must have felt like, adding that he thought the city looked more like Beirut. But he was struck too by the desolation of some of the streets and the emerging tales of atrocity.

"It's not Kuwait City anymore," commented one distraught Kuwaiti woman after describing the summary execution of civilians in recent days.

Beyond these first impressions, additional information from Kuwaiti residents passed on in letters and telephone calls give a picture of urban devastation mainly wrought by the Iraqis, although some is almost certainly the result of allied attacks.

In its latest report, CBS confirmed damage to luxury hotels and the parliament building. "The city is very badly damaged," said Mr McKeown.

Many of the top hotels have been badly damaged by fire in the past few days. Eyewitnesses say among those damaged are the Sheraton, the Meridian, the SAS Hotel, the International Hotel and the Regency.

Military fire power has also

destroyed a large seaford project of residential and administrative buildings, and damaged the imposing 19th century Sief palace. The fierce fighting going on around the white marble international airport yesterday seems likely to have inflicted further damage.

Even before the war started, returning western hostages described a steady deterioration of the city as a result of the Iraqi occupation.

Kuwaiti exiles have relayed reports from contacts of private homes being looted before being temporarily occupied by Iraqi soldiers. Windows have been boarded up and once graceful residences turned into crude military bunkers.

The gold souk, or market, has been ransacked and public buildings and installations have been systematically pillaged with everything from furniture to hi-tech equipment removed to Iraq.

Roads have been ripped up by heavy military vehicles; street signs have been damaged or taken away; and general maintenance, including sewage and electricity allowed to deteriorate.

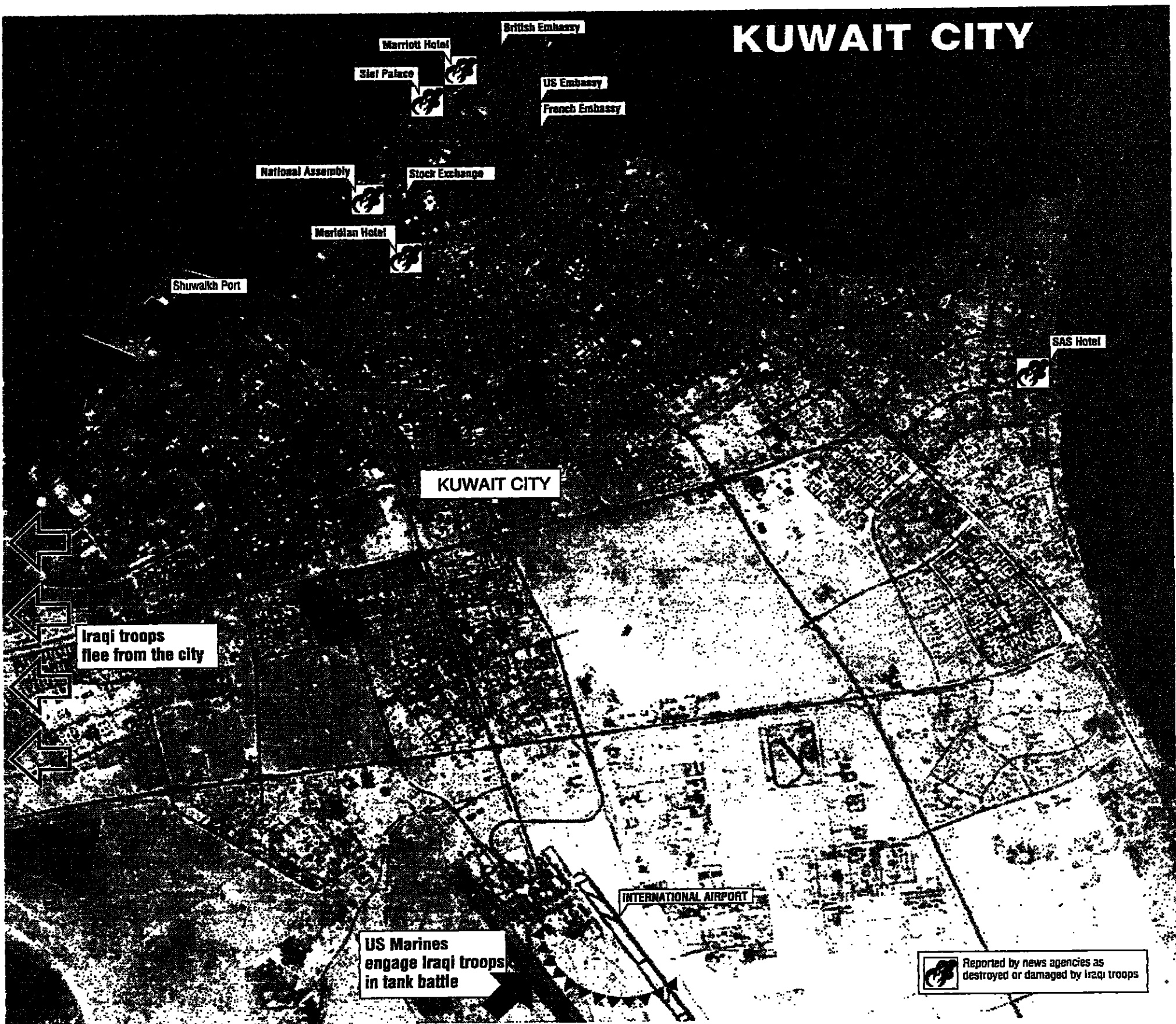
Before the Iraqi invasion, Kuwait City was dotted with well-manicured green belts and palm trees encircling grand architecture. Now the grass and trees are dead, many of the buildings are apparently ruined.

"It's a mess, an absolute mess," was how one exiled Kuwaiti resident described the scene recently. According to another report, the vegetation outside the Kuwait parliament building was replaced by plastic flowers and portraits of President Saddam.

Mr Ghazi Al-Rayes, the Kuwaiti ambassador to Britain, said in a recent report: "They have cut down all the trees along the shore where children liked to play. The museum was destroyed when they took the Islamic treasures..."

According to Kuwaiti officials, up to \$500m may have to be spent initially just to restore emergency health care, sanitation, communications, transportation, utilities, food and water in the first three months following liberation.

But beyond this companies are already lining up for what they believe could be the biggest urban reconstruction since the second world war. As one liberated Kuwaiti told the CBS reporter yesterday: "It's been like living in hell here."



Firefighters prepare to tackle 600 blazing wells War trials pose tough challenge

By Deborah Hargreaves

ALMOST 600 oil wells are now alight in Kuwait and many oil facilities had been destroyed, the US military said yesterday, as President Saddam Hussein pursued his "scorched earth" policy even in the face of defeat.

Brigadier General Richard Neal, the US military spokesman, said "some tank farms are burning, refineries have been shut down with extensive damage. As they exit the area, as they are being engaged, they have still attempted to destroy the infrastructure of Kuwait."

As a result, smoke from the fires cast a pall over the region, specialist firefighting teams from the US and Canada are on standby to fly to the Gulf as soon as the fighting ends.

"We anticipate sending one person over in the next couple of days to go with the military and survey the damage," says Mr Brian Krause, a firefighter from Red Adair, probably the best known well control company which is based in Houston, Texas, and headed by the 75-year-old Mr Adair.

But the complex task of tackling the fires will not begin right away since the firefighting teams need to be regionally equipped out to the region. Mr Krause said that, optimistically, it will take Red Adair only two months to freight three to four jumbo jets full of equipment to the Gulf.

Red Adair signed a contract

on Sunday with the Kuwaiti government-in-exile which commits the company to fight the well fires for a year at a rate of pay of \$40,000 to \$50,000 a day. Another Houston company is being asked to fly out to the Gulf to Wild Well Control, which has an open-ended contract for its services in Kuwait. Boots & Coots and Cudd Well Control are in the final stages of negotiating agreements.

"It could take two years to put out the well fires as each one tackled could take up to six weeks to put out depending on the amount of damage done. The key is assessing the damage and you can't do that until everything has cooled off a bit," says Mr Krause, "so it means pumping loads of water

New slick may be fragment of earlier spill

By Juliet Sychrava

A NEW OIL slick identified off the Saudi coast on Sunday is probably a fragment from the giant spillage at the Mina al Ahmadi coastal terminal near Kuwait city earlier this month, diplomatic sources in Saudi Arabia said yesterday.

The slick, moving south around 100km offshore, due east of the Saudi coastal town of Safaniya, near the Kuwait border, was first clearly identified by US pilots yesterday, when it floated into northern Saudi waters.

"It is relatively light, and does not compare with the other slick," said a US dip-

lomatic source. A team of experts, using computer models, was trying to identify exactly where the slick originated.

"It extends over a fairly wide area, it is a smudge in the northern Gulf. But it is perhaps 10,000 barrels, compared with the last, which was around 10m barrels altogether. It is mostly sheen, a bare film of oil," said the source.

Until Sunday, US pilots were unable to have a close look at the slick, which was still in the war zone and fairly far out to sea.

Since the Mina al Ahmadi spill, a num-

ber of smaller slicks have been reported, including one near the Mina al Bakur terminal, near the southernmost point of Iraq. It could be a fragment of this slick, US diplomatic sources said yesterday. "If the defences on the coast are ready to deal with the original spill, they should have no problem."

Coastal teams are still dealing with the original slick, which is now close to Abu Ali island, north of Jubail. "I think work is going quite well," a UK diplomatic source in Saudi Arabia said.

cool the wells with massive amounts of water to allow military bomb disposal experts to set off the mines.

"When you start moving in on these wells, you take it by stages," says Mr Bowden, "you move slowly and keep pumping in more and more water until you can get quite close to the well."

While it will be a difficult job, Red Adair's team which put out the fire after the Piper Alpha explosion in the North Sea, says it will not be as tough as that.

The Kuwait Petroleum Company is eager to restart production from its 1,300 oil wells and is currently ensuring that it has enough expertise on the ground to cope with the opera-

tion. But it could be six months before Kuwait can start pumping oil since it will need to repair the pipelines and processing facilities.

Many oil services firms are in negotiations with the KPC on providing equipment and expertise to reconstruct the Kuwait oil industry. Mr Chris Holland at Camco Oil Services in Houston said the company had been contacted to provide stockpiles of drill bits for oil drilling.

If oil wells have been damaged below the surface, it would almost be uneconomic to repair them, and the KPC would have to look at drilling new wells. It takes several weeks to drill a new well but months to bring it into production.

Aberdeen's John Wood group, which previously held the contract for maintenance on all of Kuwait's wells says it is in touch with the KPC about going back to the country once the scale of damage has been assessed.

The damage to Kuwait's refineries - the extent of which is still unclear - will take the longest time to repair since refineries are complicated and sophisticated operations. This will hamper Kuwait's return to production and export of refined products which could cause tightness in the world system, particularly if demand increases.

By Jimmy Burns

ANY prosecution of President Saddam Hussein and Iraqi military officers for war crimes could be fraught with political and administrative difficulties.

Before the land battle for Kuwait started, Iraq already stood accused by the international community on several counts under Geneva and UN conventions.

These included environmental damage, inhumane treatment of allied prisoners of war, and the use of indiscriminate force against civilian populations.

In January the Council of Europe unanimously passed a resolution calling for a war crimes tribunal similar to that set up in Nuremberg and Tokyo after the Second World War.

Since then allied leaders, including US President George Bush and Mr Douglas Hurd, the British foreign secretary, have reminded Baghdad that under international law individuals would be held responsible for the crimes they committed.

Faced with the evidence provided by witnesses of torture, summary executions, and destruction of buildings and oil installations, Kuwaiti exiles have in recent days demanded

that a mechanism be set up after the war to judge "grave breaches" of the rules governing war.

But according to Professor Peter Rowe, of the Faculty of Law at Liverpool University, deciding on a legal mechanism for trying the Iraqis and finding sufficient documentation and evidence against specific individuals would be "very difficult in practice".

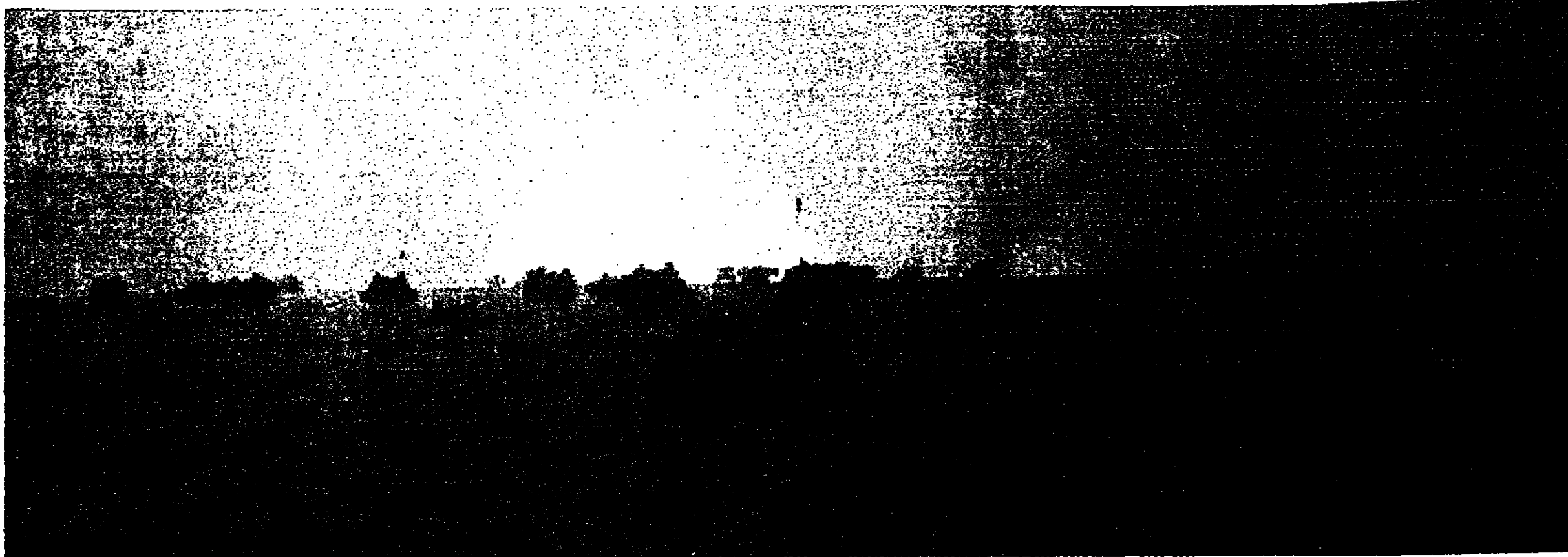
There are three likely options for the kind of trial that might take place, says Prof Rowe: a war crimes tribunal similar to Nuremberg, with judges drawn from among the coalition forces, a special United Nations court created by the General Assembly, and an Iraqi court, which would only be possible if the Saddam regime was overthrown.

The allies last night launched an operation to seize Iraqi military personnel believed to be responsible for atrocities in Kuwait City, Press Association reports.

British military sources stressed the men would not be allowed simply to pack their bags and go.

Iraqi forces fleeing Kuwait will be "filtered" in an attempt to detain those who might be guilty of war crimes.

THE GULF WAR



A ball of fire from a huge explosion on the horizon mimics the rising sun as US Marine armoured vehicles roll across the desert at day break towards Kuwait City

Iraqi forces appear almost completely isolated by three-pronged allied action to cut them off from Baghdad

World's fourth largest army sinks into the sand

By Paul Abrahams and David White

THE IRAQI army, the fourth largest in the world, appeared to be disintegrating last night, as allied forces were poised to enter Kuwait City.

About 21 divisions — representing half of the 500,000 strong Iraqi army in the Kuwaiti theatre — have been destroyed or made ineffective since the start of the ground offensive on Sunday night, according to Brigadier General Richard Neal of the US Marines. Some 400 tanks have been destroyed and more than 30,000 prisoners of war taken.

Most of the Iraqi army was in disorganised retreat, although the allies were still experiencing pockets of stiff resistance, said Gen Neal. He warned the battle was not yet over. Some retreating units were still fighting and the allies had not yet captured any Republican Guard soldiers, he said.

The first stage of allied commander General Norman Schwarzkopf's strategy to cut off the Iraqi army in the Kuwait "theatre" from Baghdad and then kill it seemed virtually complete last night.

The Iraqi army appeared almost completely isolated from the rest of the country last night after the allies finished a vast three-pronged enveloping action which hemmed the Iraqi forces against the sea and the River Euphrates.

Advanced elements of the US-led coalition have already reached the Euphrates, cutting the Iraqis' escape route along the main road leading west from Basra to the Iraqi capital, according to US officials quoted by Reuters.

Crack airborne forces from the US Army XVIII Corps, backed by aircraft and Apache attack helicopters, were reported to be close enough to the river to isolate both the Iraqi army in Kuwait and the elite Republican Guards in southern Iraq.

To the far west, French troops of the Daguet division and 3,000 troops from the 101st American Airborne Division, heading for the town of An Nasiriyah on the Euphrates were reported to have also achieved their mission. The town is where the main Basra-Baghdad road crosses the river.

Meanwhile, nearer the Kuwaiti border, armoured and mechanised units of the US VII Corps, under the command of Lt. Gen. Frederick Franks, are also understood to be in the process of outflanking the seven divisions of Republican Guard in the

As Iraqi troops raced to get out of Kuwait City, the road running north to Basra and then deeper into Iraq appeared to have become a deathtrap rather than an escape route yesterday.

Kuwait area.

Some American units from the corps are understood to have been engaged elements of the Guard near the Euphrates.

The other main escape route — the road north out of Basra — appeared increasingly perilous for the Iraqis as it was persistently attacked by allied air forces yesterday. All of the bridges in Basra and most along the Euphrates were reported to have been cut to prevent an organised retreat northwards.

Iranian media said the bombing was the heaviest of the six-week war. Huge clouds of smoke blacked out the sky in neighbouring areas of Iran. As Iraqi forces raced to escape from Kuwait City, the road running north to Basra and then deeper into Iraq appeared to have become a deathtrap rather than an escape

route yesterday.

American A-6 aircraft from carriers in the Gulf picked off Iraqi vehicles with cluster bombs and other weapons as they streamed north "bumper to bumper". B-52 bombers also dropped 1,000lb bombs on the columns fleeing to safety.

US officials said allied forces would only strike organised units with their equipment and would not attack individuals.

Small groups may well be able to escape without their heavy equipment by moving on foot and in boats through the swamps to the north of the Iraqi army. These have proved fertile hiding grounds for Iraqi deserters and draft dodgers for many years.

Meanwhile, Saudi and US units were reported to have reached the suburbs of Kuwait City along the

coastal highway. A Saudi spokesman said casualties among the Arab allies had risen to 13 dead and 43 wounded.

The official Kuwait news agency reported the Iraqi forces had evacuated the rest of Kuwait City and neighbouring regions. It said that the city was clear of Iraqi forces and that resistance leaders claimed to be in control.

Gen Neal said at a military briefing in Riyadh, the Saudi capital, that he could not immediately confirm the report.

At least some Iraqi forces have been trapped in the city, however. Troops in the international airport were reported to have been surrounded since early yesterday morning.

Last night, US marines were still engaging concentrations of armoured forces at the airport in what was described as a fierce battle.

Elsewhere, most Iraqi troops seemed disinclined to fight. A US marine explained: "Most of them stuck their arms out of the firing holes and just waved white flags."

Another said: "There's nothing to this. It's like a nature hike. They jump up like squirrels to surrender."

Britain's 1st Armoured Division, taking part in one of the main allied thrusts to the west of the US VII Corps was last night battling against Iraqi tank forces dug into defensive positions near the Iraq/Kuwait border.

The British force, made up of two armoured brigades and flanked by other allied divisions, moved north on Monday afternoon after US forces had cleared a path through Iraqi defensive lines.

The first objective allotted to the British force was to attack elements of an Iraqi tank division, which it didn't do a two-phase movement to the left of the defending force.

The Scots Dragoon Guards, part of 7th Armoured Brigade, were reported to have destroyed two tank companies with about 40 tanks. Several artillery batteries were overrun. At least 600 prisoners were taken, including a brigade commander. The first 70 prisoners were captured, remarkably, by a detachment of the Royal Signals.

Chemical weapons location unknown

By David White, Defence Correspondent

THE WHEREABOUTS of Iraq's front-line stocks of chemical munitions were yesterday presenting a puzzle to allied commanders.

Iraq's remaining stocks of chemical shells and rockets are thought to have been dispersed among military units, principally within the Kuwaiti theatre.

Defence officials in London said all Iraq's storage bunkers for chemical and biological weapons were now destroyed, as well as production facilities. Some ammunition with what were described as "suspicious markings" had been found but no chemical weapon stocks had been clearly identified, the officials said.

Iraq was believed to have dispersed chemical munitions among front-line units earlier this month in expectation of an allied ground attack.

As well as the chemical warfare facilities, all Iraq's factories making artillery and anti-aircraft munitions were now "non-operational", the officials said. It would take Iraq some years to rebuild its production capacity.

Altogether some 25 to 30 per cent of Iraq's weapons production capacity had been destroyed by the allied air campaign, they said.

By the time the land offensive was launched on Sunday, the allies had also eliminated 40 per cent of Iraq's tanks and armoured fighting vehicles in and around Kuwait, and half of its artillery in the region. Sixty per cent of hardened shelters and maintenance facilities were destroyed, they said.

Iraqi engineers were now taking longer to repair command and control networks and some areas had been without communications for several days. Tactical communications within the Kuwait region were presenting the Iraqis with "considerable difficulties", they said.

Although air operations were being concentrated in the battle area, operations were continuing to destroy pontoon bridges set up by the Iraqis and to prevent them from repairing command and control facilities and airfields.

Momentum of advance sweeps diplomacy aside

By David White, Defence Correspondent

THE SHEER momentum of the allied thrust into Iraq and Kuwait is one of the main reasons why the US and other coalition members have refused to be diverted by President Saddam Hussein's initiative to order a withdrawal.

"The situation this week is different from the situation last week," a UK official said, referring to the flurry of diplomatic proposals and counter-proposals before the land offensive began on Sunday.

After the first "break-in" phase of the offensive, allied troops were now coming into direct contact with Iraqi forces. It was not a time when they could afford to take risks by altering their plans to accommodate Baghdad's policy switch, they said.

It appeared that the allies might be readying themselves to open another flank with a landing by US marines. British minehunting vessels deployed in the northern Gulf were expected to have finished clearing the channels needed for such an operation by the end of yesterday.

Allied ground forces, moving on several axes, were trying to cut off the southern route between Baghdad and the Kuwait "theatre" along the Euphrates river and had destroyed most of the bridges between the capital and the southeastern city of Basra. About 50 road and railway bridges were now unusable.

This, officials said, was aimed initially at cutting off supplies to Iraq's forces in and around Kuwait, but it would also serve to stop Iraqi troops from "escaping too easily".

The allies would try "as far as possible to do some filtering" of Iraqi soldiers moving out of the area in order to pick up those suspected of participating in atrocities in Kuwait, they said.

Despite reports from Kuwaiti officials that large numbers of Iraqi soldiers had started leaving Kuwait City, abandoning their equipment and even helmets, military officials in London said there was no reliable evidence of an organised and general withdrawal.

The officials reported "some evidence" of movement by the Iraqis. Some units were heading away from coalition forces.

UK warship sails close to oilfield inferno

By David White, Defence Correspondent

THE BRITISH destroyer Exeter sailed close to an inferno as it escorted the US battleship Missouri in action against Iraqi targets in Kuwait, Reuters reports from HMS Exeter in the Gulf.

Bearing witness to the destruction being wrought in Kuwait by the occupation forces, the ship's video cameras caught the towering inferno of an oil installation set ablaze by the Iraqis on Monday night before they began to pull out.

Men on the bridge reported hearing the sound of an explosion like the sonic boom from a jet aircraft and a television screen flashed images of a wall of flame and black smoke rising hundreds of feet.

The Iraqis had set light to a 100-yard-long oil terminal within miles of where HMS Exeter was sailing.

"There was an initial explosion then one much louder," said radio operator Jim Green. "You could feel the bridge shake."

The fire split into several glowing red beacons as Exeter drew close to the Kuwaiti coast to provide an anti-aircraft shield for the US battleship.

Then, less than 24 hours after another British destroyer shot down an Iraqi Sukhoi missile fired at the Missouri, Exeter's own sensors detected enemy missile movement.

As a warning siren blared throughout the ship the crew struggled into anti-flash hoods and gloves. An officer's voice piped through the ship's loudspeakers: "Hands to action stations! Missile inbound."

Eyes strained in the dark to detect the tell-tale engine glow of a missile as deck gunners readied their weapons.

Water-tight doors were slammed shut and double-locked as reports came in from British ships farther south of a possible gas attack.

Gun crews began to haul on protective suits.

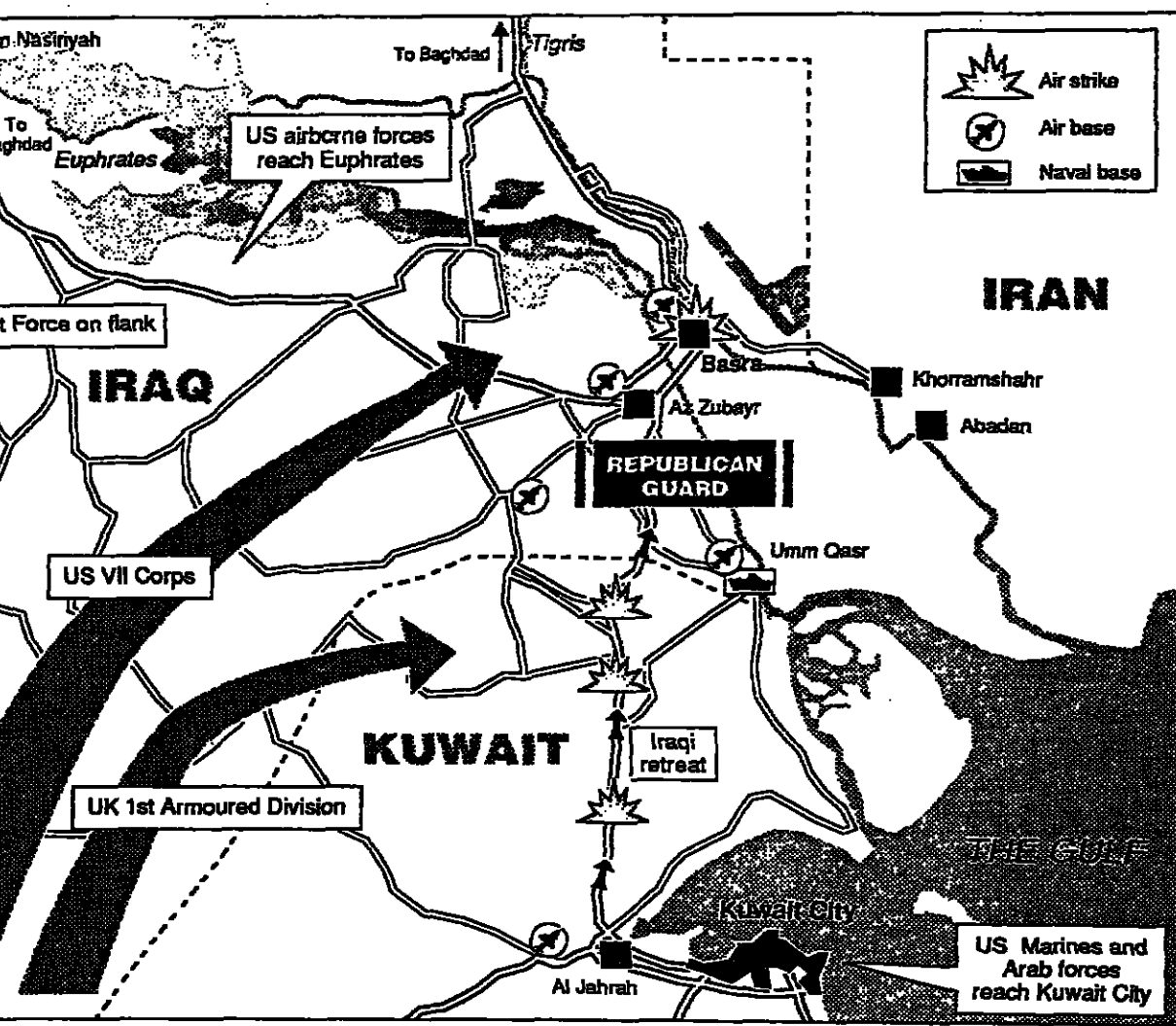
Retreating troops bequeath an explosive inheritance for generations of Kuwaitis

By Paul Abrahams

JOY GENERATED by the liberation of Kuwait will have a bitter aftertaste. The aftermath of war — mines, unexploded ammunition and explosives, booby-traps and possibly chemical shells — could haunt generations of Kuwaitis to come.

The allies estimate that more than 500,000 mines have been laid by the Iraqis in the Kuwait area. The mines have probably killed more coalition forces in action than any other weapon. They have also claimed the lives of Iraqi soldiers crossing their own minefields with the intention of surrendering.

The mines were laid in vast fields with the objective of slowing allied forces and then channeling them into pre-designated killing fields. However, the sustained allied bombing in the weeks before the offensive so ravaged the Iraqi artillery and armour that they were



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The mines were laid in vast fields with the objective of slowing allied forces and then channeling them into pre-designated killing fields. However, the sustained allied bombing in the weeks before the offensive so ravaged the Iraqi artillery and armour that they were

incapable of halting the coalition advance.

Nevertheless, the failure of the minefields has not diminished their destructiveness. Some are up to 40 miles deep and range from anti-tank mines consisting of as much as 20lb of explosives capable of disabling a tank, to small anti-personnel devices devised to blow off a foot.

There are more than two dozen different types of mine laid by the Iraqis of British, Italian, Spanish, Chilean and Soviet design. Some are plastic, making them difficult to detect by conventional methods.

It is so far unclear whether the Iraqis have laid the fields in well-recorded logical patterns which might make clearing easier.

However, even if the mines can be located, it is unlikely whether the fields will be

cleared because of the danger involved.

Although the allies have been able to create paths through the fields for their attacking columns, the task of locating, identifying and destroying the mines remains extremely hazardous and may not be worth the effort.

Most have to be cleared by hand and a cost-effective method of doing the job at the safety standards required in peace-time has not yet been devised. After the Falklands conflict, two Royal Engineer officers each lost a leg while clearing mines.

The Kuwaitis will also have to pay a continuing price for their liberation through unexploded ordnance. There will be millions of items of ordnance lying in ammunition dumps throughout Kuwait, including chemical shells and bombs

which require special handling.

In addition, there are many unexploded shells and bombs littered across the battlefield. According to Mr John Wyatt, a former instructor in mine warfare at the Royal School of Military Engineering, about 10-15 per cent of ordnance fails to explode on impact.

After the conflict in the Falklands, the British Royal Army Ordnance Corps dealt with 3,000 tons of Argentine ammunition comprising some 4,750 items. Mr Wyatt says there are still 3m unexploded items, excluding mines, that have been identified on the islands.

In the end, the highest price may be paid by the Bedouin who will be unable to graze their flocks freely across the Kuwaiti-Saudi border. For them, a way of life may have come to an end.

Red Cross plea over treatment of prisoners

By William Dullforce in Geneva

THE INTERNATIONAL Committee of the Red Cross yesterday appealed to the Iraqi authorities to comply with international humanitarian law concerning allied prisoners of war.

A spokesman for the Swiss organisation which monitors compliance with the Geneva conventions said its delegates had had no contact whatsoever with Kuwaiti or allied prisoners despite repeated requests for information and the right to visit them.

ICRC delegates in Baghdad have been in touch with Iraqi Red Crescent representatives but requests to them for help in identifying POWs have also produced no results.

Last month the ICRC warned the Iraqi government that it would violate the Geneva convention, which it has signed, if it carried out its threat to place some 20 captured allied airmen at strategic sites, which could be subjected to air attack.

In a communiqué yesterday the ICRC reported that it had received no information about POWs captured by Iraqi forces since the invasion of Kuwait on August 2 and the start of military operations by the allied forces on January 17.

The communiqué called on Iraq to take immediate action to remedy "this serious situation, which constitutes a grave lack of respect of the Third Geneva Convention", establishing how POWs are to be treated.

Visits to Iraqi prisoners captured by the coalition forces were taking place in accordance with the convention but their number had increased considerably and the ICRC was sending extra staff to Saudi Arabia.

According to the spokesman, ICRC delegates had visited 2,554 Iraqi POWs by yesterday. Confidential reports on how they were being treated would be sent to the Iraqi authorities and to the government of the detaining power. They would not be made public.

POWs should be repatriated as soon as active hostilities have ceased, according to the Geneva convention. No condition is attached under which a government can make repatriation dependent on the return of its own citizens.

THE GULF WAR

Bush anxious to avoid humiliating Gorbachev and reviving cold war

Soviet peace moves irritate Washington

By Lionel Barber in Washington

PRESIDENT Mikhail Gorbachev's efforts to broker a ceasefire in the Gulf war have been greeted with discomfort verging on outright irritation within the Bush administration.

Despite obvious dissatisfaction with the stream of peace proposals coming out of Moscow, President Bush has avoided public criticism of the kind which would humiliate Mr Gorbachev and revive misleading talk in Washington about a new Cold War.

Instead, Mr Bush has adopted a different ruse. Faced last Friday with a vague eight-point Soviet plan for Iraqi withdrawal from Kuwait, just hours before he was ready to order the allied ground offensive, Mr Bush paid tribute to the Soviet president's efforts - and then ignored them.

The tactic of killing the Soviet proposals with kindness is proving more difficult this week, now that Moscow is applying pressure on the US to call a halt to the rout of the Iraqi army.

Yesterday, Mr Bush dismissed out of hand Iraq's retreat from Kuwait and

said the war would continue. He avoided any reference to Soviet diplomacy - or to Mr Gorbachev's ominous warning in Minsk that progress in US/Soviet relations remained "fragile".

This may just be bluster, but no one wants to kick the Soviet leader when he is down. "There is considerable understanding for the domestic and foreign policy pressures on Mr Gorbachev," said one informed official.

The US is prepared, therefore, to offer Mr Gorbachev room for manoeuvre. Officials concede that his support for the United Nations resolutions against Iraq - including the authorisation of force to liberate Kuwait - has become a rallying point for hardliners inside the Soviet Union.

Mr Gorbachev already faces conservative criticism that his reformist policies handed the west a strategic gain in eastern Europe; now Iraq, a long-standing Moscow client whose military is Soviet-trained and Soviet-supplied, is being humiliated on the battlefield.

US officials also recognise that the collapse of the Soviet economy and the erosion of Mr Gorbachev's own authority has made it imperative for the Soviet leader to revive his earlier role of international statesman and peace-maker.

Lastly, the delegations of Muslims from the Transcaucasus and central Asia underline the domestic political constraints which Mr Gorbachev faces.

In stark contrast to Mr Bush who is waging a popular war at home with next to no political opposition.

The administration has therefore sought to stress the core agreement between Washington and Moscow in the Gulf war: the need for Iraq's total, unconditional withdrawal from Kuwait. The weakness in this official, sanitised view of US/Soviet relations is that it papers over the two countries' different, competing interests in the Middle East.

Soviet diplomacy is geared to providing a face-saver for President Saddam Hussein. The calculation is that

by helping him avoid an overwhelming defeat, the Soviets can reap political gains and influence among countries in the region who may have doubts about Operation Desert Storm.

Jordan, Iran, Pakistan, Yemen and, loosely, the Arab masses.

President Bush wants to humiliate Mr Saddam, to the point where the Iraqi people may remove him from power. To this end, the allied battle-plan aims to encircle and destroy the Republican Guard - the elite Iraqi fighting force and the backbone of the Baathist regime in Baghdad.

By cutting Iraq down to size, the US wants to restore some semblance of stability in the region. The Soviet Union will help shape the post-war order - but on Washington's terms.

Last September, six weeks after Iraq occupied Kuwait, President Bush met President Gorbachev in Helsinki. Mr Bush paid tribute to the Soviet president and talked about a new partnership between the old rivals which could extend to that old theatre

of rivalry, the Middle East.

In retrospect, this may have proved the high-point of US-Soviet relations. Mr Edward Shevardnadze was still foreign minister; arms control talks were proceeding apace; and there was still hope of an economic reform plan in the Soviet Union which would consolidate glasnost and perestroika.

In the intervening months, almost all the trends have turned negative. Mr Shevardnadze has gone. Soviet Black Berets killed pro-independence demonstrators in Lithuania. And according to a confidential CIA assessment now circulating in Washington, "The authority of the central government has declined dramatically. Gorbachev has lost much of his political support, and with it, the ability to control the course of events."

The CIA view complements a bleak estimate by Mr Dick Cheney, US defence secretary. It suggests that the administration is moving towards a reappraisal of US/Soviet relations - of life beyond Mikhail Gorbachev.

Baghdad 'must accept all 12 resolutions'

By Michael Littlejohns, United Nations Correspondent, in New York

THE FIVE permanent members of the UN Security Council agreed yesterday that any Gulf ceasefire must be accompanied by Iraq's public acceptance of all 12 resolutions adopted by the world body in the seven-month crisis, diplomats said.

The accord, reported following a private conference in the UN mission, was seen as a political victory for the Western allies. They rejected an earlier Soviet attempt to have the Council declare a truce in response to President Saddam Hussein's order to his troops to quit Kuwait.

The evacuation was expected to be completed last night. At a Council meeting that broke up about 3am New York time, Mr Abdul Amir al-Anbari, the Iraqi delegate, argued that the resolutions other than No 660, which called for Iraq's immediate unconditional withdrawal from Kuwait - had been adopted only because Baghdad failed to respond.

But the US, Britain and France all insisted that compliance with the entire set of resolutions was mandatory and it was simply not enough to accept one text while ignoring the others.

After further consultations among the five permanent members, including China, Mr Yuliy Vorontsov, the Soviet delegate, told reporters that the group had "a common approach, as before" and this would remain "for the future".

What was needed, he said, were "two things at the same time": a ceasefire and compliance with all of the resolutions.



He did not mention a statement made in Moscow by his predecessor in the UN, Mr Aleksander Belonogov, a deputy foreign minister, that the land offensive should cease because Iraq had proposed no conditions for withdrawing.

Included among the resolutions is one that Mr Thomas Pickering, the US delegate, termed "very much front and centre", that the annexation of Kuwait be null and void. Another called for Iraq to pay reparations for damage done to the tiny emirate.

As the full Council held yet another round of private consultations yesterday, Mr Pickering reported that a large number of members had extreme doubts that Saddam would announce compliance with all the resolutions, publicly and clearly and preferably in writing.

It was "very disturbing" that in getting out of Kuwait he had not dropped Iraqi claims to the country.

Mr Mohammad Abulhasan, the Kuwaiti delegate, rejected suggestions that the Council was trying to humiliate the Iraqi leader.

Surrender or defeat only way to end war, Major warns

By Ivo Dawanay, Political Correspondent

MR John Major, the UK prime minister, insisted yesterday that the Gulf war would continue until Iraqi forces either surrendered or were defeated on the battlefield.

With Downing Street reporting that the elite Republican Guard was all but surrounded, it seemed clear that Britain is quite as determined as the US to see Iraq's crack troops lay down their weapons or be permanently removed as a military threat.

Speaking after officials had conducted lengthy discussions with the White House, Mr Major repeatedly emphasised that Iraq's crack troops lay down their weapons or be permanently removed as a military threat.

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Bush's resolve threatens fragile spirit of detente

By Leyla Boulton in Moscow

SOVIET President Mikhail Gorbachev last night warned the US that its handling of the Gulf war could strain the improved relationship between the two superpowers.

He said "a great sense of responsibility" was needed in order not to destroy what he called still fragile progress in US-Soviet relations.

At the same time, Moscow was attempting to secure UN backing for a ceasefire in the Gulf.

Moscow's renewed efforts to stop "further bloodshed and destruction" came hours after Iraq's President Saddam Hussein announced he would withdraw his troops on the same day.

Mr Alexander Belonogov, Soviet deputy foreign minister, said Moscow believed President Saddam could be trusted to keep his word "in this case".

There was therefore "no real reason" for the western-led coalition to continue hostilities, he told a news conference.

Mr Vitaly Ignatenko, President Gorbachev's spokesman, said Moscow remained determined that Iraq should fulfil all UN resolutions passed after the August 2 invasion of Kuwait, including the payment of war reparations.

He suggested this could be achieved after a ceasefire. Although there were no guarantees that the US would not veto a Soviet ceasefire resolution, Mr Ignatenko said he believed that Moscow and Washington would work "in agreement" at the Security Council.

Mr Gorbachev, meanwhile, issued his most explicit warning so far that superpower relations could suffer if the US proceeded to impose its own vision of the lasting peace required by the UN mandate.

"It is necessary to settle this [Gulf] conflict and put on the UN agenda the solution of the

entire Middle East problem. Without solving it, we shall preserve a powder keg which can blow up the world," Mr Gorbachev told reporters during a visit to the Belorussian city of Minsk.

"What has happened in the Middle East shows how pressing the issue is."

The Soviet Union has consistently called for an international peace conference to tackle Palestinian grievances and other regional problems.

But the Israeli government has rejected the proposal for a peace conference, and it is not clear how much pressure the US plans to exert on Israel to solve the Palestinian problem once the war is over.

Pravda, the Communist Party newspaper, earlier this week accused the US of double standards for failing to show the same sort of determination in enforcing older UN resolutions calling for an Israeli withdrawal from the occupied territories.

Although President Gorbachev did not spell this out, Moscow is also worried that the US, buoyed by the coalition's military successes, may be seeking to remove President Saddam from power and set up a regime more to its liking.

Mr Ignatenko said it was up to the Iraqi people to decide what kind of government they wanted.

Meanwhile, Marshal Akhromyev, President Gorbachev's adviser on military affairs, said that future co-operation with its wayward Arab ally would depend on "what sort of Iraq" emerged from the conflict.

It is unlikely Moscow will take dramatic steps to sway US policy in the near future. But if the US is perceived as overstepping the UN mandate, then the policy of "new thinking" which made Soviet support for the coalition possible in the first place, could suffer.



Yuliy Vorontsov (left), Soviet ambassador to the UN, in deep discussion with his Kuwaiti counterpart, Mohammad Abulhasan

British businesses glimpse some light at end of tunnel

By Neil Buckley

BUSINESSES worst hit by the Gulf war were guardedly optimistic yesterday about prospects now that an end to hostilities seems in sight.

Some conferences, marketing and incentive travel companies saw the prospect of a "mini-boom" as clients started to spend a backlog of money from budgets. Most said the effect on business depended on how the war ended and whether the threat of Iraqi-sponsored terrorism was removed.

Airlines, travel agencies, tour operators, hotels and conference organisers have suffered from a dramatic fall in US business travellers and tourists venturing across the Atlantic. If Americans decide it is safe to travel again, all stand to gain substantially.

Trusthouse Forte, which has seen bookings in city hotels dropping by up to 15 per cent, hoped to see levels returning to

normal with the end of the war. But the company said its provincial hotel bookings had not been affected; it had even seen an increase in reservations at some hotels, as people who normally took holidays abroad decided to stay at home.

"One effect of the war may well be to reintroduce Britain on to the list of holiday destinations for the British," the company said.

At Thomas Cook, the travel agency, leisure bookings have been increasing in the last two days, perhaps reflecting optimism that the Gulf war was coming to an end.

"British tourists are very resilient. I think they were already coming to terms with the terrorist threat and starting to book more holidays anyway," a spokeswoman said.

Thomas Cook expects to see business travel return to its

pre-war level within a short time, but doubted whether there would be a marked increase.

Mr David Tomlinson, managing director of The Marketing Organisation, the market leader in incentive travel, was more optimistic.

"People who control budgets panic when there's an international crisis, and simply stop spending," he said. "Once the crisis is over, they've still got the money to spend."

Mr Tomlinson said the war had changed his organisation's mix of client companies, but the overall volume of business had not been affected. He felt, however, that smaller companies involved in incentive travel, corporate hospitality and product launches, without the manpower and resources to deal with the downturn in trade during the Gulf crisis, might not survive.

Envoy urges larger role for Japan

JAPAN will be expected to offer more than money to peacekeeping operations in the Gulf after the war, the US ambassador to Tokyo said yesterday, Reuters reports from Tokyo.

Mr Michael Armacost said his government expected a more "visible contribution" from Japan, amid growing expectations that it would assume a larger international role.

"As Japan's power has grown, expectations among others that it will play a role commensurate with its economic power has increased," Mr Armacost said.

"We've been asking for a more visible contribution."

Mr Armacost noted that the government of Mr Toshiki Kaifu, the prime minister, was revising a legislative bill to pave the way for Japan's participation in a peacekeeping force in the Gulf and elsewhere.

Earlier, Mr Major told the Commons: "Our first concern has to be the safety and security of our forces."

"That does mean we require all Iraqi forces in the theatre of operations, those occupying and supporting the occupation of Kuwait, to abandon their weapons and equipment and withdraw."

"Until they do so, they will be treated as hostile."

He added: "Saddam Hussein started this war on his terms, he must end it on the terms set out by the UN."

Later, Mr Tom King, the defence secretary, expanded on the government's hardline

response to the Iraqi promise to withdraw saying that the allies still had "no reliable information" that such a retreat was under way.

The government had no confidence that the Iraqi leader could be trusted.

"What we require now is that Saddam Hussein publicly and explicitly accepts all the Security Council resolutions," he said.

The tough British line is thought to have been reached after lengthy talks with Washington and Paris on how to tackle the end of the war.

Mr Douglas Hurd, the foreign secretary, is due to fly to the US capital today for further discussions on how to achieve what appears to be the coalition's primary goal - the elimination of a future Iraqi threat to the region.

Not least, the British are determined that prisoners of war and Kuwaitis believed to have been taken hostage by the Iraqis are released before a full ceasefire is enforced. That has led to speculation that allied troops may stay in southern Iraq to act as a bargaining counter.

Mr King made clear, however, that there was no intention in establishing a permanent presence within Iraqi borders.

There is, none the less, a clear determination that Iraq's defeat should be public and definitive, and that this goal was still far from being achieved.

Mr Major pointed out yesterday that Iraq had launched a Scud missile attack at the same time as he was ordering a withdrawal of his troops. Elimination of the missile threat, officials implied, might also be a requirement before foreign troops were withdrawn from the region.

President Oza has lost two defence ministers, a foreign minister and his chief of general staff since the crisis started. For all that polls now show his support growing.

Turkey's dilemma remains, as Mr Alptemur Ozal said in Washington this week, that "Turkey is not a European country. We are part of the region. We are neighbours to Iraq. We've lived together for centuries."

Greece, understandably, is worried that Turkey's influence, particularly with the US, will grow following the crisis. Yet at the same time the Greeks are probably only too happy to see Turkey preoccupied with the problems of its southern neighbour.

By allowing the US to use its bases to bomb Iraq, Turkey sent ripples throughout the Arab world. The policy created much unease at home.

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NEWS IN BRIEF

Belgium pledges aid for France and UK

BELGIUM will give Britain and France \$32.2m (\$16.2m) towards the cost of the Gulf war, Mr Hugo Schiltz, budget minister, said yesterday, Reuters reports from Brussels.

But coalition news agency Belga said the Belgian government had not yet decided how to split the aid between the two countries, which are part of the US-led coalition fighting Iraq.

In reply to a parliamentary question, Mr Schiltz said Belgium's financial contribution to the war might rise if other allied countries asked for aid.

US senator cautious on funds

Senator Robert Byrd, chairman of the US Senate appropriations committee, said yesterday that Congress would examine closely President George Bush's \$15bn (\$7.5bn) request for Gulf war financing, to ensure the money is needed, AP-DN reports from Washington.

The Democrat senator also complained that America's allies were not delivering quickly enough on their promises to support the war effort with funds.

He said legislators wanted to make sure the amounts requested were for the Pentagon's true war costs "over and above the amounts already provided for normal peacetime operations".

Mr Byrd said allied countries had delivered only \$14.9bn in cash and services, out of \$33.5bn in aid they had promised. He singled out the United Arab Emirates and Japan as countries which could easily afford to send financial assistance to the US.

Finland offers UN observers

Finland is making preparations to send UN military observers to the Gulf, if the organisation makes such a request, a military official said yesterday, AP reports from Helsinki.

Paris seeks more concessions

France said Iraq's President Saddam Hussein "has at last decided to talk seriously" in announcing withdrawal from Kuwait, Reuters reports from Paris.

But a Foreign Ministry spokesman told a briefing that Iraq must comply with "all pertinent UN resolutions" before a ceasefire could be agreed.

Germany agreed that troop withdrawal was not enough and that President Saddam still had to accept all UN resolutions on the Gulf crisis.



Ozal: pipeline of peace proposal

Turkey anxious for place at the peace table

By John Murray Brown in Ankara

TURKEY is throwing its diplomatic weight behind the idea of economic reconstruction in the Gulf, aware that it could be locked out of political settlement because of Arab suspicions.

Despite strong talk by President Turgut Ozal, Turkey's ability to influence any peace settlement will remain limited, given that it has no troops in the coalition force - much to the personal chagrin of the president.

No one seriously believes the Turkish military is poised to open a second front in northern Iraq. The troop deployment to the border is largely a deterrent. Besides there must remain doubt as to whether the generals would support such a move.

None the less Turkey's control of much of the region's water, and its huge electrical power and agricultural potential make it an important player.

Turkey's contractors would also no doubt like a stake in the rebuilding of Iraq and Kuwait.

The government has now made a bold pitch to improve ties with Saudi Arabia, believing it will be Saudi money which will fund the reconstruction. Mr Ozal has floated his own idea for a peace pipeline to channel Turkey's water to Syria and Iraq, the Gulf states, Saudi Arabia and maybe even Israel. In November, Istanbul is due to host an international conference to settle the region's claims to the Tigris and Euphrates, both of which originate in Turkey.

Egypt, Algeria and more predictably perhaps, Libya have publicly voiced concern at what are perceived as Turkey's expansionist ambitions - one reason for last week's diplomatic shuttle through the region by Mr

Kurtcebe Alptemur, the Turkish foreign minister.

Mr Ozal has done little to dispel Arab fears with his talk of Mithat and Kiruk, the oil-rich Iraqi provinces to which Turkey has an historical claim.

Mr Ozal has also warned that Turkey would not stand by if Syria and Iran tried to exploit the power vacuum. Nor would Turkey countenance any independent Kurdish state in northern Iraq, Turkey, Mr Ozal says, wants a place at the negotiating table.

Foreign ministry officials privately regret some of the president's more robust recent statements. But, by appealing to nationalist sentiment, Mr Ozal clearly hopes to swing public opinion behind his Gulf policies, remembering the strong feelings aroused by the unrest in Turkish speaking Soviet Azerbaijan.

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THE GULF WAR

The mythology of Saddam gains strength in Arab world

By Mark Nicholson in Amman

MR SADDAM HUSSEIN'S claim, as he announced the withdrawal of his troops from Kuwait yesterday, that "you have faced the whole world, brave Iraqis, you have won" might have rung hollow in Washington or London, but for Jordanians, and countless other Arabs, the remark chimed precisely with what they perceive to have been his great victory - to have stood up to the west.

There was undeniably a strong sense of shocked betrayal and disappointment among Jordanians yesterday as the scale of Iraq's military retreat filtered slowly through a local media which has been resolutely feeding Baghdad's side of the conflict. But a process of rationalisation, in a land almost inured to

political setbacks, began instantly. For the great majority of Jordanians Mr Saddam's unbending resistance to western demands had always been his greatest claim to Arab heroism. "It was never a question of beating the US, it was simply his will to fight that counted," said Mr George Hawatmeh, editor of the Jordan Times. It only added to the sense of symbolic victory that Mr Saddam had resisted for 40 days - a number rich with religious resonance for Moslems.

Thus yesterday, Jordanians were already beginning to mythologise the leader whom they had lionised from the outset of this confrontation, interpreting his withdrawal from Kuwait as an inevitable bid for

sheer physical survival, rather than any kind of political defeat. "He will lose militarily, I suppose," said Mr Kamel Abu Jaber, head of Jordan University's political faculty. "But he will remain a hero for the next 1,000 years. School children will sing songs about him and mothers will call their sons Saddam."

In Mr Abu Jaber's view, those children will sing about Saddam the defender of Islam, Saddam the leader of the Arab nation, and Saddam the hero of the Palestinians. Mr Saddam's martyrdom, should it come to that, might only enhance his perceived achievements.

"He has become a symbol," said Ms Laila Sharaf, a senator close to

the royal palace in Jordan. "Many who did not like his rule in Iraq were nevertheless behind him because he symbolised Arab resistance to the west. He will remain a symbol for that."

But this resistance is not all he has come to symbolise. Ever since his invasion of Kuwait, Mr Saddam has sought to cloak his move in the colours of anti-imperialism, defence of the Palestinians and a bid to unite the Arab and Moslem worlds against the "infidels and atheists".

Whatever the sincerity of Mr Saddam's proclaimed *jihād* - and most Palestinians would agree, for instance, that Iraq certainly did not invade Kuwait for their cause - the fact that the Iraqi president was

able to voice longstanding Arab grievances with the west, back this up with force, and then not back down for 40 days, was enough to win Jordanian and other Arab hearts.

For now, though, hearts are all Mr Saddam can claim to have won. His withdrawal was achieved without any formal linkage to the Palestinian issue, for example. His calls for the Arab masses to rise up in revolt against the west, or against Arab leaders who joined the coalition, have also come to nought so far.

However, most Palestinians argue that even if Mr Saddam failed formally to link a solution to the Palestinian issue to his eventual withdrawal, he none the less served to push the question back into the international agenda.

And although that may prove to be snatching a rationalised victory from defeat, Palestinians still argue that in attacking Israel with Scud missiles, he served even in small part to avenge Israeli violence against them. In the mythology of Saddam Hussein, the Scud missile will long remain a central Palestinian icon.

In the view of Ms Sharaf, the Scud attacks also made the political point to Israel that, in the era of modern warfare, the acquisition of territory is no final guarantee of security. Though whether that point would persuade Israel to cede

its claims to the West Bank, long seen as a vital bulwark of Israeli security, must be unlikely.

By Ms Sharaf argues that Mr Saddam's victories will only become clear in the much longer term. She and others in Amman claim that Mr Saddam's catalysing effect on Arab and Islamic consciousness will leave few Arab regimes unshaken in the next two or three years, whatever the outcome of war.

"We will see that the Arabs who gave their umbrellas to the coalition will not get away with it," she said, echoing a belief, which for many here is a fervently proclaimed hope, that Mr Saddam has once again given substance to the idea of one "Arab nation".

Iran accuses Iraq of 'deadly delay' in Kuwait pullout

By Michael Field in Tehran and Our Middle East Staff

IRAN'S government accused Iraq yesterday of a "deadly delay" in deciding to withdraw from Kuwait. Tehran Radio said, while the Iraqi retreat could lead to peace, the apparent American insistence on toppling President Saddam Hussein might deepen the crisis.

President Ali Akbar Hashemi Rafsanjani of Iran spoke of "incorrect calculations of Iraqi leaders and their delay in deciding to pull out of Kuwait" during a meeting with Mr Rajiv Gandhi, India's former prime minister, in Tehran on a Gulf peace mission.

"When (peace) efforts were on the verge of bearing fruit, opportunities were lost one after the other and at every stage the United States and its allies had a suitable excuse to increase the pressure," Mr Rafsanjani said.

It is believed that most of Iran's leaders will be delighted if the allied action results in the destruction of Mr Saddam. They may also be pleased to see their main rival for influence in the Gulf region eliminated as a political and military force.

Set against this is a genuine sympathy for Iraqi soldiers and civilians as brother Moslems and a fear that the war will

lead to a long-lasting American and British presence in the region.

Although Iran no longer has obvious political designs on the Arabian states - the broadcast of Islamic revolutionary propaganda to the Shia communities of Bahrain and eastern Saudi Arabia has been much reduced - it has always mattered to the Iranians that they be acknowledged by their Arab neighbours as the leading regional power.

At present, Iranians are in no mood aggressively to assert their claim to a leading role in Gulf affairs. Both the people and, as far as one can tell, the government, have been somewhat over-awed by the speed of the allied victory.

Before the campaign began, the radical Mojtabaism Sadogh Khalkhali, a former judge known for his zeal in executing opponents of the regime, was orchestrating demands by students and members of the parliament for a force of Iranians to fight alongside their Iraqi brothers. No such calls have been heard since January 15.

In the coming weeks it is expected that Tehran will do nothing to offend the US, with which it still has no diplomatic relations, because Iran will want a say in whatever secu-

city arrangements are put together in the region after the end of the war.

Although its rhetoric sometimes remains revolutionary, the Iranian government under President Rafsanjani is quietly anxious to rehabilitate itself with the rest of the world, politically and economically.

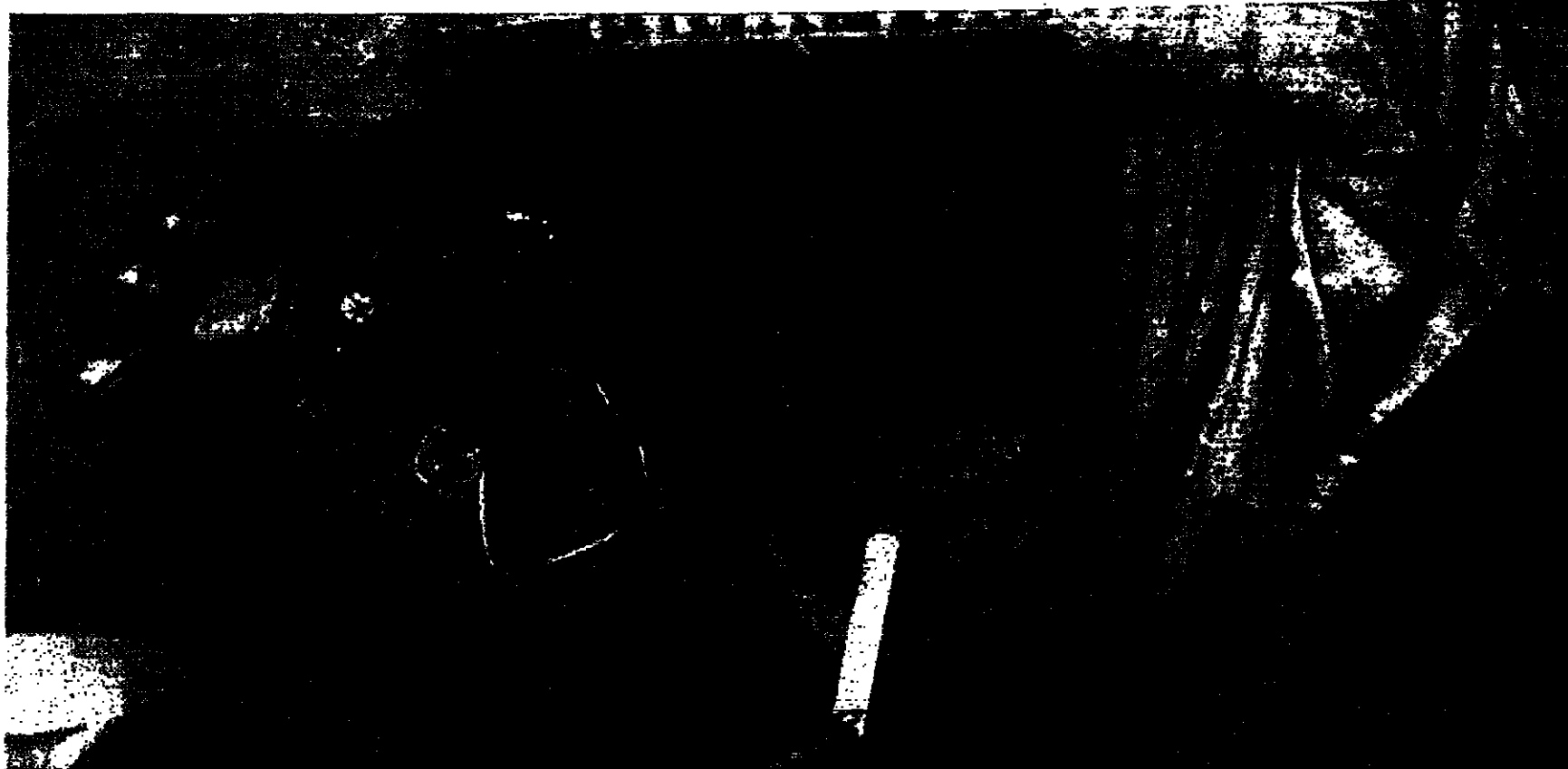
In Cairo yesterday Egyptian students held a third day of protests against the Gulf war and vowed to avenge the death of a colleague in clashes with riot police.

Several hundred students poured off Cairo University campus chanting Egyptian President "Hosni Mubarak you coward, you are an American agent".

The Palestine Liberation Organisation commented that the allied reaction to the Iraqi offer of withdrawal proved their aims went beyond regaining the emirate.

"The negative reaction of the coalition led by the United States to the withdrawal from Kuwait demonstrates that the objective is really Iraq and not Kuwait," said Mr Abdallah Hourani, a senior PLO member.

Libya also said it would not tolerate allied attacks on Iraq following its acceptance to quit Kuwait.



● An elderly Jordanian listens attentively in Amman yesterday to the statement broadcast on Baghdad Radio of President Saddam Hussein of Iraq that he would withdraw his occupying forces from Kuwait

Israel parties split on post-war policy

By Hugh Carnegie in Jerusalem

ISRAEL'S two main political parties, united by a desire to see Iraq comprehensively defeated in the Gulf war, yesterday aired sharp differences over post-war Israeli policy as they anticipated the end of the conflict.

Leaders of both the hardline Likud Party, which leads the ruling coalition, and the opposition Labour Party supported the tough stance taken by the US yesterday after president Saddam Hussein announced an Iraqi withdrawal from Kuwait.

There is a virtual consensus in Israel, which has been repeatedly attacked by Iraqi Scud missiles during the war, that the US-led alliance should not end hostilities until Iraq is unequivocally defeated. The main concern is to see the Republican Guard, the cutting edge of the Iraqi regime, disarmed and, preferably, Mr Saddam removed.

"Israel sees this as something required for its peace and security," Mr Yitzhak Shamir, the prime minister and leader of the Likud, said yesterday.

Mr Yitzhak Rabin, a former Labour prime minister and defence minister, also said Mr Saddam's announcement was not sufficient. There should be no ceasefire until Iraq had fully complied with all 12

UN resolutions on its occupation of Kuwait, he said.

However this consensus breaks down on the question of what Israel's position should be after the war. Labour is urging the government to be prepared to make concessions on the occupied West Bank and Gaza Strip in exchange for peace agreements with Israel's Arab neighbours. The Likud takes a much tougher line.

Mr Shamir, reiterating his determination not to cede the West Bank and Gaza, said this week the Iraqi attacks showed Israel needed broad territorial margins for its defence. "We shall stand firm and not retreat," he told Likud MPs on Monday night.

Yesterday he told Israel Radio his government was ready to negotiate "with the whole Arab world", but he added: "The Likud believes that there is no need, in order to achieve peace, to give up territories and parts of Israel's map."

This attitude brought him into confrontation yesterday with Mr Shimon Peres, the Labour Party leader, at a meeting of the Foreign Affairs and Defence Committee of the Knesset, according to radio reports.

Mr Peres, an advocate of ceding land for peace, attacked Mr Shamir for blocking

past peace efforts and called for new thinking after the war.

The parties' differences were also aired in a radio debate between two MPs. Mr Uri Landau of the Likud and Mr Uri Baran of Labour. Mr Landau warned that the real challenge to Israel would come after the war from the "basic assumption" of the US that a settlement of the Israeli-Palestinian conflict was the core issue in establishing a new order of peace in the Middle East.

Mr Baran said such a view ignored what was a "great opportunity" to achieve a far-reaching peace settlement. This would require Israeli concessions, but would yield security in return.

It remains to be seen whether the Gulf conflict, and the shock of the Iraqi missile attacks, have altered the balance in Israeli politics which in recent years has favoured the Likud.

The Likud is confident that public fury over support for president Saddam in the occupied territories and by the Palestine Liberation Organisation will consolidate its position.

Labour's hope that more of the electorate will swing to its view is likely to be weakened by splits within the party over how far to go towards offering full Palestinian independence.

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WHAT BUSH SAID

"I have a brief statement to make today. Saddam's most recent speech is an outrage. He is not withdrawing. His defeated forces are retreating. He is trying to claim victory in the midst of a rout. And he is not voluntarily giving up Kuwait. He is trying to save the remnants of power and control in the Middle East by every means possible. And here too, Saddam Hussein will fail."

"Saddam is not interested in peace, but only to regroup and fight another day. And he does not renounce Iraq's claim to Kuwait. To the contrary, he makes clear that Iraq continues to claim Kuwait. Nor is there any evidence of remorse for Iraq's aggression, or any indication that Saddam is prepared to

accept the responsibility for the awful consequences of that aggression."

"He still does not accept UN Security Council resolutions, or the coalition terms of February 22nd, including the release of our POWs, all POWs, third-country detainees, and an end to the pathological destruction of Kuwait."

"The coalition will therefore continue to prosecute the war with undiminished intensity. As we announced last night, we will not attack unarmed soldiers in retreat. We have no choice but to consider retreating combat units as a threat, and respond accordingly. Anything else would risk additional United States and coalition casualties."

"The best way to avoid further casualties on both

sides is for the Iraqi soldiers to lay down their arms, as nearly 30,000 Iraqis already have. It is time for all Iraqi forces in the theatre of operation, those occupying Kuwait, those supporting the occupation of Kuwait, to lay down their arms. And that will stop the bloodshed."

From the beginning of the air operation nearly six weeks ago, I have said that our efforts are on course and on schedule. This morning I am very pleased to say that coalition efforts are ahead of schedule. The liberation of Kuwait is close at hand. And let me just add that I share the pride of all of the American people in the magnificent, heroic performance of our armed forces. May God bless them and keep them."

SADDAM'S STATEMENT

"The harvest in the mother of battles has succeeded. After we have harvested what we have harvested, the greater harvest and its yield will be some time in the future, and it will be much greater than what we have at present."

"O valiant Iraqi men, O glorious Iraqi women. Kuwait is part of your country and was carved from it in the past. Circumstances today have willed that it remain in the state in which it will remain after the withdrawal of our struggling forces from it. It hurts you that this should happen."

"The Iraqis will not forget that on August 8, 1990 Kuwait became part of Iraq legally, constitutionally, and actually. They remember and will not forget that it remained throughout this period from 8 August 1990 and until last night, when withdrawal began, and today we will complete withdrawal of our forces. God willing."

"Today certain circumstances made the Iraq Army withdraw as a result of the ramifications which we mentioned, including the combined aggression by 30 countries. Their repugnant siege has been led in evil and aggression by the machine and the criminal entity of America and its major allies."

"Everyone will remember that the gates of Constantinople were not opened before the Moslems at the first attempt. Whatever the suspect parties try, by virtue of the sacrifices and struggle of the Palestinians and Iraqis, Palestine has returned anew to knock at the doors closed on evil."

"Shout for victory, O brothers; shout for your victory and the victory of all honourable people, O Iraqis. You have fought 30 countries, and all the evil and the largest machine of war and destruction in the world that surrounds them."

"You have chosen the path which you have chosen, including the acceptance of the Soviet initiative, but those evildoers persisted in their path and methods, thinking that they can impose their will on their Iraqis, as they imagined and hoped. This hope of theirs may remain in their heads, even after we withdraw from Kuwait."

"Therefore, we must be cautious, and our preparedness to fight must remain at the highest level. O you valiant men; you have fought the armies of 30 states and the capabilities of an even greater number of states which supplied them with the means of aggression and support."

UN RESOLUTIONS

●660: Invasion of Kuwait condemned and Iraqi withdrawal demanded. August 2.

●661: Trade sanctions imposed except for medicine, and, in humanitarian circumstances, foodstuffs. August 2.

●662: Iraq's annexation of Kuwait declared null and void. August 3.

●664: Security Council demanded Iraq allow foreign nationals to leave Iraq and Kuwait and rescind its order to close diplomatic missions in Kuwait. August 15.

●665: Member states allowed to stop ships in the Gulf to ensure compliance with economic sanctions. August 25.

●666: Shipment of food to Iraq and Kuwait approved in case of humanitarian need. Sept 13.

●667: Iraqi raids on French and other diplomatic missions in Kuwait condemned. Sept 18.

●668: Sanctions committee to report to Security Council on assistance to countries suffering economically from the trade embargo. Sept 24.

●670: Air traffic with Iraq and occupied Kuwait prohibited, except in humanitarian circumstances. Sept 25.

●674: The Council asked states to document evidence of financial losses and human rights violations resulting from the invasion. Oct 29.

●677: UN Secretary General asked to safeguard a smuggled copy of Kuwait's population register in order to foil attempts by Iraq to repopulate the emirate with Iraqis. Nov 28.

●678: Kuwait's allies authorised to use all necessary means, i.e. the use of force, to uphold and implement resolution 660 etc to restore peace and security in the area if Iraq does not withdraw from Kuwait before 15 January, 1991. Nov 29.

INTERNATIONAL NEWS

Eurocopter gets Brussels go-ahead

By Andrew Hill in Brussels

THE European Commission yesterday said that Messerschmitt-Bölkow-Blohm (MBB) of Germany and Aerospatiale, the French state-owned group, could go ahead with the merger of their helicopter divisions, in the first case of a defence deal being examined by the EC's five-month-old merger control task force.

The Commission also said it expected military procurement "eventually to come into line with the requirements of an open internal market".

The Treaty of Rome exempts

armaments and defence procurement from EC rules, although ordinary rules on competition do apply.

In the past - for example, in the case of the GEC/Plessey merger and the takeover of MBB by Daimler-Benz - the Commission has tended not to investigate defence-related deals or to concentrate on the implications for civil markets.

The Commission is now proposing bringing the defence industry within the remit of the treaty.

Following preliminary exam-

ination of the MBB/Aerospatiale case, the Commission said the new holding company, Eurocopter, would not have a significantly stronger position in the French and German markets for military helicopters.

The companies were not potential competitors in each other's national markets, because national procurement remains the rule in this sector for the time being.

Eurocopter would have a high combined share of the EC civil helicopter business, said

the Commission, but this would be offset by competition from other EC and US manufacturers.

Had the EC task force decided the merger was not "compatible with the common market" it would have started a more detailed investigation of the deal.

The Commission also cleared Digital Equipment Corporation's proposal to acquire a majority stake in Mannesmann Kleinke, the computer systems subsidiary of Mannesmann of Germany.

OECD says attitude to east Europe hardening

By Anthony Robinson, East Europe Editor

A "sharp deterioration" of market sentiment towards central and eastern Europe has led the international financial community completely to change its views of the creditworthiness of the region, according to the Organisation for Economic Co-operation and Development (OECD).

This had been triggered by the rising level of debt, higher borrowing and uncertainties in the process of moving towards market economies, said the latest edition of "OECD Financial Market Trends".

It noted that private institutions were actively seeking to reduce their exposure and had "no interest in sovereign lending" except to Czechoslovakia and Hungary.

At the same time however, the OECD says private financial institutions are keen to participate. It said debt servicing has become a "serious issue" with Bulgaria suspending payments, the Soviet Union developing large arrears and Poland making repeated requests for debt reductions.

Borrowing requirements would increase in 1991, but the reticence of private lenders implied that official creditors would be called upon to bear a much larger share of the financing burden than in the past.

Poland, Hungary and Czechoslovakia should be able to meet external financial requirements with increased official funding but the slow reformers, Bulgaria, Romania and the Soviet Union, "may face difficulties" leading to increasing liquidity pressures.

The report expressed special concern for the Soviet Union where "the sharp rise in debt has been accompanied by a virtual collapse of central control over international payments".

It also noted a sharp rise in short-term claims from \$12bn to \$18bn in the year to end 1989 and payment arrears reached \$5bn-6bn by mid-1990. "For all practical purposes the Soviet Union is no longer able to raise funds in the syndicated euro-currency or external bond markets," it said.

In theory Moscow is owed \$80bn, around \$120bn at the official exchange rate from socialist and third world countries but these claims are "of low quality and of little help in raising the current liquidity problem" which has been made worse by the withdrawal of "sizeable credits" by western banks.



US Gatt envoy Warren Lavorel (centre), his deputy Verax Rufus (left) and Uruguay's Julio Lacarte

US tells Gatt of \$257m German Airbus subsidies

By William Duffell in Geneva

GERMANY has paid out more than \$257m since January 1990 to cover exchange rate losses on the sale of Airbus aircraft, the US changes in a letter asking the General Agreement on Tariffs and Trade (Gatt) to adjudicate on its long-running dispute with the European Community over Airbus subsidies.

The German currency subsidy averaged approximately \$2.5m on each aircraft delivered by the four-nation European consortium in 1990, according to the US.

Moreover, the US says that the exchange rate insurance scheme, under which Bonn makes its payments, is more extensive than previously announced, having been

extended to German component suppliers as well as to the Deutsche Airbus company.

At the request of the EC, Gatt's subsidies code committee has postponed until March 6 the meeting scheduled for tomorrow at which it was to consider the US demand that it set up a disputes panel.

Previously, the EC has challenged the competence of the subsidies committee, arguing that the dispute over Airbus subsidies was a case for Gatt's civil aircraft code.

Subsidies of all kinds to Airbus Industrie from the German, French, British and Spanish governments totalled more than \$1bn, the US trade representative's office said.

During the talks the Com-

mission offered to drop production subsidies for Airbus aircraft and to limit to 45 per cent governmental support for research and development.

Washington's appeal to Gatt, however, focuses only on the pledge the German government gave to Daimler-Benz, when the industrial group took over Messerschmitt-Bölkow-Blohm in 1989.

Bonn agreed to provide up to DM2.63bn to cover the company from potential exchange rate losses, if the dollar fell below DM1.60. The German government charges no premiums for this insurance, which the US claims violates Gatt's subsidies code.

EUROPE IN BRIEF



France's trade deficit narrows

France's trade deficit narrowed sharply last month thanks to a rise in industrial exports, but the good news was overshadowed by an increase in unemployment, William Dawkins reports from Paris.

The January trade shortfall was a seasonally corrected FF9.3bn (\$1.2bn) well down on the revised FF9.3bn deficit in the previous month, according to provisional estimates by the customs service.

At the same time, the number of jobless rose by 0.4 per cent between December and January, bringing the number out of work to 2.54m, or 9.1 per cent of the workforce.

Exports rose from FF91.1bn in December to FF101.3bn last month, while imports rose from FF91.4bn to FF107.2bn over the same period.

Greece guards Albanian border

Greece has sent troops to guard its border with Albania, fearing that threatened political turmoil there will bring a fresh influx of unwanted immigrants, Kerin Hope reports from Athens.

Local officials said about 100 Albanians a day were still crossing the border. More than 17,000 have crossed since early January.

According to Greek authorities, about 5,500 were voluntarily repatriated after Albania's communist government agreed that they would not be punished.

Italian business airs discontent

Former Bulgarian communist leader, Mr Todor Zhivkov, told a packed Sofia courtroom that charges of embezzling Lvs6.5m (\$4m) in state funds during his 35-year rule were based on "lies and paradoxes". The 79-year old former leader, in court for the second day, is the first East European communist chief to face public trial for alleged crimes committed while in office.

Paris sends in police

France has sent a government minister and more police to its Indian Ocean island of Réunion, after eight people were killed in the worst outbreak of violence in a French territory since 1989.

Reunion's capital, St Denis, has been rocked by three days of riots sparked by the closure of a popular pirate TV station offering sex and karate films.

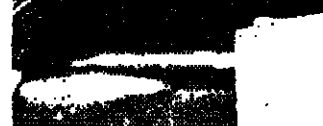
Charge carried against minister

Croatia's defence minister and more police to its Indian Ocean island of Réunion, after eight people were killed in the worst outbreak of violence in a French territory since 1989.

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Earthquake in Italy recorded

Sweden's Uppsala University said it monitored an earthquake measuring 6.0 on the Richter scale centred in the Tyrrhenian Sea, which lies between Italy, Sardinia and Sicily, Reuter reports from Stockholm.



Colombia to convince US on drug policy

President Gaviria visits Washington with a credibility problem, Sarita Kendall writes

ONE of the main purposes of President César Gaviria's official visit to the United States this week is to expound his drug policy and set up the legal channel to make it work. The government is concerned that the invitation to traffickers to surrender without running the risk of extradition is being misinterpreted in some circles as a sell-out.

The context is important: after Senator Luis Carlos Galán's murder in August, 1989, the fight against the traffickers brought a new response - in particular the massive car bombing - which was labelled narco-terrorism, and was associated with the "extraditables". According to the government, the legislation is aimed at stopping narco-terrorism rather than drug trafficking itself, although once in jail the traffickers are supposed to give up their business.

The legislation, as it stands after two modifying decrees issued while several journalists were held hostage in the extraditables, allows immunity from extradition provided a trafficker gives himself up and confesses to just one crime.

The trafficker also earns a much-reduced sentence. Many of the criticisms of the govern-

Tension rises as Moscow steps up campaign in South Ossetia

By John Lloyd in Moscow

A HEAD-ON clash between the Soviet government and the Georgian nationalist government of President Zviad Gamsakhurdia came closer yesterday as senior Soviet officials stepped up their campaign for presidential rule over the troubled region of South Ossetia.

This follows six deaths at the weekend in battles between Georgian militia and Ossetian nationalists.

Mr Boris Oleinik, deputy chairman of the Supreme Soviet's Council of Nationalities, blamed the Georgian authorities for stimulating the inter-ethnic clashes and said a national commission would be sent to the Georgian capital Tbilisi to "negotiate a settlement to the conflict".

At the same time, Mr Gamsakhurdia said he believed that Mr Mikhail Gorbachev was "drafting a decree to take over South Ossetia" and warned "we cannot ignore the catastrophic consequences".

The South Ossetian region, in the north of Georgia, has seen continual sporadic fighting since it unilaterally declared itself a republic at the start of the year. The death toll is now claimed to be 33.

Mr Anatoly Lukyanov, the Supreme Soviet chairman, warned last week that if the Georgian authorities did not impose a state of emergency over the whole region by yesterday "the Soviet president has the right to introduce the state of emergency himself".

The Soviet government, meanwhile, continues to protest against foreign interference in the Baltic states. Mr Yuri Gromitski, a foreign ministry spokesman, attacked a discussion being held this week by the Nordic Council of Scandinavian states in Copenhagen. "If this were to happen our co-operation with the Nordic Council and its individual members would be harmed", he warned.

The Nordic leaders yesterday rejected the warning as unacceptable. Iceland's parliament voted earlier this month to establish diplomatic relations with Lithuania, and other

Scandinavian countries have shown clear support for the Baltic states.

The official news agency Tass yesterday criticised a trip to the Baltic states by a group of US Congressmen earlier this month and said: "It is important for the Soviet-American partnership that US officials should not cross the threshold of what is permissible in interstate relations".

The Soviet parliament yesterday gave preliminary approval to legislation promoting private enterprise, writes Leyla Boulton in Moscow.

The legislation, which sailed through a first reading with little opposition, says the government must guarantee private entrepreneurs equal access to raw materials which are monopolised by state enterprises.

It also enables entrepreneurs to hire and fire workers on the basis of labour contracts. But over the bill's proponents admit that the legislation will not achieve much until anti-monopoly and other laws are adopted.

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US industry records further weakening in demand

By Peter Riddell, US Editor, in Washington

US INDUSTRY faced a further weakening in demand last month, although there are tentative signs that the recession may be bottoming out, says Peter Riddell.

New orders for manufactured durable goods dropped by 0.7 per cent in January because of lower demand for defence equipment and new aircraft, says Boeing's orders fell.

This follows a 2.7 per cent increase in December, which was boosted by a near 83 per cent jump in defence orders before the Gulf war.

This is a smaller drop than

expected the recession to end in the first half of the year.

About 51 per cent said they expected the recession to bottom out in the first quarter while 22 per cent were looking for a recovery in the second quarter of the year. Only 18 per cent of the economists surveyed said that they expected the recession would stretch into the third quarter.

The deficit with China also increased by \$4.2bn to \$10.4bn, in part reflecting the aftermath of the clampdown and reduced activity following the Tiananmen Square massacre.

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France's trade deficit narrowed sharply last month thanks to a rise in industrial exports, but the good news was overshadowed by an increase in unemployment, William Dawkins reports from Paris.

The January trade shortfall was a seasonally corrected FF9.3bn (\$1.2bn) well down on the revised FF9.3bn deficit in the previous month, according to provisional estimates by the customs service.

At the same time, the number of jobless rose by 0.4 per cent between December and January, bringing the number out of work to 2.54m, or 9.1 per cent of the workforce.

Exports rose from FF91.1bn in December to FF101.3bn last month, while imports rose from FF91.4bn to FF107.2bn over the same period.

Greece guards Albanian border

Greece has sent troops to guard its border with Albania, fearing that threatened political turmoil there will bring a fresh influx of unwanted immigrants, Kerin Hope reports from Athens.

Local officials said about 100 Albanians a day were still crossing the border. More than 17,000 have crossed since early January.

According to Greek authorities, about 5,500 were voluntarily repatriated after Albania's communist government agreed that they would not be punished.

Italian business airs discontent

Former Bulgarian communist leader, Mr Todor Zhivkov, told a packed Sofia courtroom that charges of embezzling Lvs6.5m (\$4m) in state funds during his 35-year rule were based on "lies and paradoxes". The 79-year old former leader, in court for the second day, is the first East European communist chief to face public trial for alleged crimes committed while in office.

Paris sends in police

France has sent a government minister and more police to its Indian Ocean island of Réunion, after eight people were killed in the worst outbreak of violence in a French territory since 1989.

Reunion's capital, St Denis, has been rocked by three days of riots sparked by the closure of a popular pirate TV station offering sex and karate films.

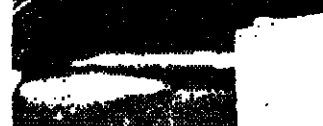
Charge carried against minister

Croatia's defence minister and more police to its Indian Ocean island of Réunion, after eight people were killed in the worst outbreak of violence in a French territory since 1989.

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Earthquake in Italy recorded

Sweden's Uppsala University said it monitored an earthquake measuring 6.0 on the Richter scale centred in the Tyrrhenian Sea, which lies between Italy, Sardinia and Sicily, Reuter reports from Stockholm.



Colombia to convince US on drug policy

President Gaviria visits Washington with a credibility problem, Sarita Kendall writes

ONE of the main purposes of President César Gaviria's official visit to the United States this week is to expound his drug policy and set up the legal channel to make it work. The government is concerned that the invitation to traffickers to surrender without running the risk of extradition is being misinterpreted in some circles as a sell-out.

The context is important: after Senator Luis Carlos Galán's murder in August, 1989, the fight against the traffickers brought a new response - in particular the massive car bombing - which was labelled narco-terrorism, and was associated with the "extraditables". According to the government, the legislation is aimed at stopping narco-terrorism rather than drug trafficking itself, although once in jail the traffickers are supposed to give up their business.

The legislation, as it stands after two modifying decrees issued while several journalists were held hostage in the extraditables, allows immunity from extradition provided a trafficker gives himself up and confesses to just one crime.

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Pretoria,
Moscow in
move to
resume ties

SOUTH AFRICA and the Soviet Union yesterday took the first step towards renewing diplomatic relations, severed by Moscow in 1956, by agreeing to set up interest sections in the Austrian embassies in Pretoria and Moscow, Bente reports from Cape Town.

"It is intended that in the absence of diplomatic and consular relations, current working contacts will be maintained through these interest sections," Mr Pik Botha, South Africa's foreign minister, said.

Bankruptcies in
Canada soar 69%

Bankruptcies in Canada, both business and individual, soared 69 per cent in January from year earlier, and the federal government projects a total of nearly 60,000 for all of 1991, up 8 per cent from 1990, writes Robert Gibbons in Montreal.

The recession's impact hit hardest in January, though interest rates were already beginning to decline. Year-to-year increases in the following months are likely to be much lower, officials said.

Mongolia becomes
member of ADB

The Mongolian People's Republic has been admitted as a member of the Asian Development Bank, becoming the ADB's 50th member, the bank said yesterday, writes Greg Hutchinson in Manila.

Membership became effective on February 22 on completion of all formalities, including payment of the first instalment of its subscription to the bank's capital stock.

Mongolia has subscribed to 266 shares of capital stock valued at SDR2.6m.

The ADB's authorised capital stock is SDR18.8bn. Mongolia's entry raises the Bank's membership to 50 - 55 from within the region and 15 from outside it.

Sharp rise in
HK armed crime

A sharp increase in armed crime in Hong Kong last year brought the number of robberies involving firearms up to 420, nearly 60 per cent more than in 1989. There were 131 bank robberies, 125 per cent more than in 1989, writes John Elliott in Hong Kong.

Annual statistics published yesterday showed that cases of murder and manslaughter rose by 34 per cent, robberies by 24 per cent and car thefts by 43 per cent.

IADB grants \$305m
to Venezuela

The Inter-American Development Bank (IADB) has granted the government of Venezuela a \$305m loan for 20 years with three years of grace, writes Joe Mann in Caracas.

The credit, which includes \$5m for technical assistance, is to be used in reforming and streamlining government-owned enterprises. The money will also help finance a large public works programme spanning 1991 and 1992.

The IADB also signed an agreement to loan \$90m to the Andean Development Corporation (CAF), a Caracas-based institution owned by the governments of Bolivia, Colombia, Ecuador, Peru and Venezuela.

The loan will be used to finance small and middle-sized industrial projects in the Andean region, and to assist in other CAF credit operations.

INTERNATIONAL NEWS

Hopes rise for Nigeria debt rescheduling

By William Keeling in Lagos

THE PRICE of Nigeria's commercial bank debt on the secondary market has reached its highest level, reflecting optimism on the outcome of rescheduling negotiations under way in London.

Prices have ranged between 37 and 39 cents to the dollar over the past week. A year ago, the debt was fetching 25 cents to \$1, and was below 20 cents in 1989.

Lagos bankers attribute the increase to anticipation of an accord between Lagos and the London Club of commercial banks over terms for rescheduling \$5.8bn bank debt.

Talks began yesterday and an agreement is expected to include a debt buy-back option. The meeting is due to resume today.

Nigeria also owes \$5.5bn in rescheduled promissory notes, attracting a comparable price to commercial bank debt on the secondary market. The notes were issued to cover trade arrears built up in the early 1980s.

Some bankers think Nigeria may extend the terms of a London Club deal to promissory notes.

There has been concern that the high price of debt on the secondary market would have some adverse effects, especially on Nigeria's debt conversion programme, which

provides for transfer of dollar-denominated debt into local currency.

The debt conversion auction last Friday defied many predictions and was hugely oversubscribed, with participants offering higher than usual discounts on their debt.

Successful bidders offered discount rates of up to 54 cents in the dollar, giving an effective exchange rate of Naira 11.3 to the dollar, once bank fees are included.

Bankers report that while this is significantly higher than the prevailing rate at the weekly foreign exchange auction of Naira 9.6 to \$1, it is less than the rate being offered by

non-government holders of foreign exchange, such as cocoa traders.

Bankers have expressed surprise at the continued high patronage of the debt conversion auction, especially with a turn-around period of up to five months from buying the debt to having naira funds released by the Central Bank.

One banker said: "At the moment, you get a better exchange rate from hard currency than from debt conversion."

The debt conversion programme is designed to attract investment through foreign debt conversion at attractive rates.

Bangladesh votes amid security clampdown

BANGLADESH votes today for a new parliament, in an atmosphere charged with political violence and strong state security, Rezauddin Ahmed reports from Dhaka.

On Monday, some 380,000 soldiers and police began deployment across the country, to guard polling booths against a repetition of the type of violence which has left 15 dead, including a candidate, and more than 2,000 injured in the last six weeks' election build-up.

The elections - the fifth in 17 years - will be held under a caretaker government which was installed after the fall of former president Hossein Mohammed Ershad on December 6 last year. The four previous parliaments survived less than three years on average.

Mr Ershad came to power in 1982 by force, seizing it from an elected government in 1982 by means of a military coup.

Now being held in detention on charges of corruption and abuse of power, the former president is, however, predicted to win at least three of the five seats he is contesting in his home district of Rangpur.

A caretaker government, which has organised today's

elections, is hoping that the 62m eligible voters (from a total population of 110m) may be able to ballot without facing the kind of attacks which have so far soured the campaign.

Acting President Shahabuddin Ahmed, who took over from president Ershad on December 6 in the face of a violent opposition campaign, has promised free and impartial elections.

"All I want is that the election should be above question," Mr Ahmed said recently, reaffirming his promise to return to the Supreme Court as chief justice after the polls.

Seventy-nine political parties are contesting the polls, fielding 2,782 candidates, who are standing for 286 seats.

Thirty of those seats are reserved for women, who will be indirectly elected by members of parliament.

Major contenders for power are the Bangladesh Nationalist Party, led by Mrs. Khaleda Zia, and the Bangladesh Awami League led by Sheikh Hasina.

These parties are locked in straight electoral encounters for about 235 seats, though neither is expected to win an outright victory.



Troops are deployed to ensure calm during Bangladeshi elections



The supreme court has stayed the proceedings against Mr Ershad for two weeks after the fallen president failed to appear in court on February 16, due to illness.

His trial will now start after the elections. Mr Ershad's political future depends largely on election results.

Donors pledge Manila \$3.3bn

By John Elliott in Hong Kong

INTERNATIONAL aid donors, including the US, Japan and European countries, yesterday pledged the Philippines \$3.3bn (\$1.55bn) in loans and grants for the current year, during a meeting in Hong Kong of the country's consultative group, organised by the World Bank.

This was significantly higher than the \$2.3bn-\$2.8bn the Philippines had been expecting. The government told the meeting that by the end of last year all the \$3.5bn pledges made at the donors' last meeting in Tokyo in July 1989 had been

committed. Japan is believed to have pledged about \$1.5bn of yesterday's total, which mostly be in loans. Mr Jose Gula, governor of the Philippines central bank, said he was pleased with the result.

But he warned that some of the 17 countries and six agencies at the meeting had said the Philippines would lose out to other Asian countries if it did not improve its climate for inward industrial investment. They had complained about a supreme court ruling which

had prevented a Taiwanese investor changing the site for a large petrochemical complex.

The meeting was backed by the Philippines' new economic stabilisation programme, which has been supported by the International Monetary Fund. The IMF agreed last week to provide the Philippines with an 18-month stand-by arrangement of SDR264.4m (\$193m) plus external contingency funding of SDR88.1m under its compensatory and contingency financing facility.

Argentina's trade surplus
up 47% to record \$7.9bn

ARGENTINA'S 1990 trade surplus surged to a record \$7.9bn (\$3.98bn), an increase of 47 per cent over the previous year's surplus of \$5.38bn, John Barham reports from Buenos Aires.

The surplus is remarkable, given that the austral, Argentina's currency, increased sharply in value in the second half, rising to its highest level in a decade.

The surplus reflects the recession in Argentina, which has choked demand for imports and forced companies to boost exports. Imports fell 5 per cent to \$4.01bn, while exports rose 24 per cent to \$11.9bn. Much of the exports rise came from agricultural sales, although the US and EC trade policies depressed inter-

national farm prices. Capital goods imports have fallen as investment levels crumbled. Argentina now invests only 9 per cent of its gross domestic product. The outlook for exports this year is more encouraging as the government is trying to force down the austral's value.

President Carlos Menem has sworn in another two top officials, after reshuffling his cabinet twice and purging six senior aides since January. The two are Mr Jorge Malorano, his new legal counsel, and Mr Carlos Arslanian, a justice sub-secretary. In 1985, Mr Arslanian sentenced the chiefs of Argentina's former military juntas to prison for human rights violations.

Chile economy
grows by 1.6%

CHILE'S economy grew 1.6 per cent in 1990, according to central bank preliminary figures yesterday. This is the lowest growth rate since the country pulled out of a steep recession in 1982-83, Leslie Crawford reports from Santiago.

Mr Alejandro Foxley, finance minister, hopes that after a year sacrificed to the fight against inflation, Chile will resume strong growth in 1991. He forecast the economy would grow 4.5 per cent this year and annual inflation fall from 27.3 per cent at the end of 1990 to just under 20 per cent by December 1991.

Monthly inflation rate has dropped to under 1 per cent since November and is expected to be near zero in February, satisfying officials that inflation is under control.

Japanese
industrial
output up

By Ian Rodger in Tokyo

INDUSTRIAL production in Japan rose 1.1 per cent in January from the previous month, according to a preliminary report from the Ministry of International Trade and Industry (MITI).

It was the first month-to-month increase in the seasonally-adjusted figure in three months, and provided support for the authorities' view that the economy, while slowing, was still growing at a satisfactory pace.

Further evidence for this view came from the diffusion index, a basket of leading indicators, in December, which jumped to 55 per cent from 40 per cent in November. It was the first time in three months that it had topped the recession-torn dividing line of 50 per cent, the government's Economic Planning Agency reported.

Also, sales at large retail stores were up a healthy 3.2 per cent in January to ¥1,746.4bn (\$3.84bn) on a year-on-year basis, because of brisk sales of winter clothing and foods and beverages, according to MITI. In the previous month, they had grown only 0.4 per cent.

Mr Russell Jones of brokers UBS Phillips and Drew in Tokyo, said the figures were "consistent with a slowing economy but not with a collapse".

Mexico's GNP grows 3.9%
to beat government forecast

By Damian Fraser in Mexico City

MEXICO'S gross national product grew by 3.9 per cent in 1990, much faster than the government's November forecast of 2.5-3 per cent, and the highest growth rate since 1981.

Last year's GNP was pushed up by rapid growth in construction, up 7.7 per cent over the year, and transport and communications, up 6.3 per cent.

The surge in growth of the domestic sector, at a time when the US economy went into recession, increases fears

that Mexico will not meet its inflation target of 14 per cent this year, nor its current account forecast of a deficit of \$6.1bn (\$3.08bn).

The government said the public sector deficit fell to 0.5 per cent of GNP last year, the lowest in Mexico's history. But this includes the one-off effects of a cut in Mexico's foreign debt.

The presidents of Mexico and Costa Rica said yesterday that their countries plan to set up a free trade zone by 1993.

Autolatina suspends dismissals

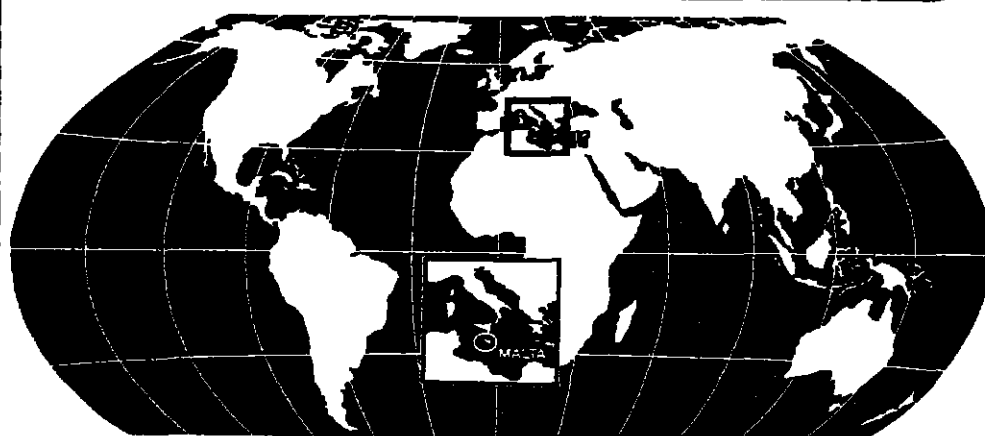
AUTOLATINA, the holding company for Ford and Volkswagen in Brazil, has agreed to suspend planned dismissals of 5,110 workers, after pressure from government and unions, Christina Lamb reports from Rio de Janeiro.

The dismissals, announced last week and due to falling sales, provoked a national outcry because of the likely effect on other sectors. Metalworkers at Autolatina plants have been on strike for the past week.

The unions claim the decision to delay the dismissals

until March 20 as a "victory for the workers". They have put forward proposals to introduce, instead, a shorter working week. But Mr Domício dos Santos, Autolatina's director for labour relations, said yesterday the company was sticking to its plan to shed 5,000 workers.

● Brazil's labour problems intensified yesterday with the start of a national strike by oil and petroleum workers. Around half the country's 51,000 workers are striking for a 161 per cent pay rise, with others still to vote.

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UK NEWS

Speculation mounts over 'khaki' general election

By Philip Stephens, Political Editor

THE ROUT of Iraqi troops in Kuwait yesterday fuelled speculation at Westminster that Mr John Major, the prime minister, could opt to call a general election this summer.

Ministers and officials of the ruling Conservative party remain cautious about the prospects for an early poll, warning that the surge in the popularity of the government and prime minister as a result of the Gulf conflict could be short-lived. They also cite Mr Major's instinctive caution and the expectation of sharp rises in unemployment over the next few months.

They acknowledge, however, that a strong showing in the opinion polls over the next few weeks could bring intense pressure from some Tory MPs for a snap election. Mr Chris Patten, the Conservative party chairman, plans to produce a draft of the election manifesto by the end of next month.

He will collaborate closely with Mrs Sarah Hogg, the head of the Downing Street policy unit, to refine the ideas of the dozen groups of ministers, MPs and outside experts which have been working on the manifesto since the start of the year.

Ministers believe that taken in isolation the economic out-

look would point to a 1992 general election, with inflation and, more importantly, mortgage rates expected to fall steeply by the early months of 1992. Treasury economists share the optimism of City forecasters who are predicting an inflation rate of below 4 per cent in a year's time. That in turn suggests mortgage rates of 10 per cent or lower.

Many Tory MPs, however, are arguing that if Mr Major's popularity remains strong, then the government should seek to capitalise on its leadership "honeymoon" and the Gulf effect by opting for a June poll. They expect mortgage

rates to fall at least by 1 and probably by 2 points in the next three months.

The case for a June poll was reinforced by a new opinion survey published yesterday by Gallup in collaboration with Dod's Publishing and Research. The survey suggests that consumer confidence has fallen to the level of the early 1980s and is unlikely over the next 18 months to recover to the levels seen at the last general election in 1987.

It concludes that on the basis of past relationships, the government's standing in the opinion polls should now be 35.5 per cent. But its actual

standing is 44 per cent, with the additional 8.5 per cent accounted for by the Gulf and the impact of Mr Major. Gallup predicts that this "halo" effect should last until June.

Ministers believe, however, that a "khaki" election fought on the back of the Gulf victory could backfire, with previous experience suggesting that during the campaign the focus could swiftly return to issues like the economy and the poll tax. They insist that Mr Major would opt for June - the most likely date is June 5 and 13 - only if he secured a sweeping victory in the May 2 local elections.

Opposition toughens its position on terrorism

By Ivo Dawney, Political Correspondent

MR ROY Hattersley, the opposition Labour party's spokesman on home affairs, yesterday held out an olive branch to the government over controversial anti-terrorist legislation. Mr Hattersley has offered cross-party talks to review the Prevention of Terrorism Act.

The call comes amid heightened awareness of the terrorist threat after recent bombings at Paddington and Victoria stations in London and the mortar attack on the War Cabinet at 10 Downing Street.

The Labour party has opposed the anti-terrorist legislation since its introduction in 1984 on the grounds that elements in the law unnecessarily curtail human rights.

But with a general election imminent, the party's leadership is clearly anxious to be seen as conciliatory.

By calling for an all-party accord with the government, it hopes to defuse the perennial Tory claim that Labour is "soft on terrorism".

Recent bomb attacks and the declaration this week by the Director of Public Prosecutions that the conviction of the so-called Birmingham Six is now regarded as "unsafe" have once again brought anti-terrorist provisions under the spotlight.

On Monday, the House of Commons is due to debate the annual report by Lord Colville QC, the independent government watchdog charged with monitoring the workings of the act.

The coincidence of the debate and the widely expected release of the six prisoners - accused of the Birmingham pub bombings of 1974 - has given the Labour party an opportunity to offer a compromise agreement.

Such a compromise is aimed at taking the issue out of the realm of party-political conflict. Labour's long-standing objections to the current act centre on three provisions. These are: exclusion orders used to force suspects to leave mainland Britain, often for Ulster; financial regulations intended to cut off funds to the Provisional Irish Republican Army; and clauses that allow the detention of suspects without charge for up to seven days - three longer than those allowed for criminal cases.

In a speech in Birmingham yesterday, Mr Hattersley called on the government to listen to Labour's alternative proposals.

"All we ask is that the government will not close its mind to what we have to say," he said.

Nevertheless, Mr Hattersley's public bid for a compromise will allow Labour to defend itself from claims of "softness" by countering that the government has refused to discuss the issue.

MANUFACTURING SECTOR

Wage settlements drop sharply

By Michael Smith, Labour Correspondent

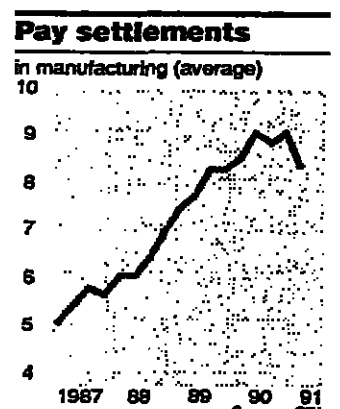
PAY DEALS in the manufacturing sector are showing their biggest quarterly fall in four years as companies take action to contain costs in the recession, the Confederation of British Industry (CBI) said yesterday.

Settlements reported this year to the pay databank of the CBI, the employers' organisation, average 8.3 per cent. This is lower than both the 8.5 per cent for the comparable period last year and the 9 per cent for the final quarter of 1990.

The CBI report coincided with the disclosure of a pay deal at Tesco, the supermarket chain, which estimates that it will increase the pay bill by between 13 and 14 per cent overall, and which will give rises of up to 17.7 per cent.

The agreement, which includes productivity improvements, follows a job evaluation scheme of the type many retailers have conducted to protect themselves against equal pay claims from women.

The CBI, in its quarterly employment affairs report, says one in 10 manufacturers are either delaying increases or implementing them in stages. A "significant number" of com-



John Banham: encouraged

of manufacturing pay deals between the fourth quarter of 1990 and the first quarter of this year, if confirmed, would only be the third quarterly decline in the past four years.

At 0.7 percentage points, it is significantly sharper than the previous falls, both of 0.2 percentage points.

The CBI says the trend to lower settlements had already taken hold in the second half in private sector services, moving to 0.9 per cent from the 0.2 per cent in the comparable period of 1989.

Reports about productivity growth provide conflicting signals. Manufacturing companies reporting pay deals in the first quarter expect productivity growth to be 4 per cent. That is the lowest expectation for four years, 1.7 percentage points below the next lowest figure, reported for the final quarter of 1990.

The CBI, however, says falls in productivity growth may be bottoming out, as reported increases of 3.7 per cent in the first quarter of this year compares with 3.6 per cent in last year's fourth quarter.

In addition, the gap between manufacturing settlements and productivity movements during the previous 12 months has narrowed from 6 percentage points in the fourth quarter of last year to 4.5 points now.

"This holds out the prospect of unit labour cost performance moving nearer to what is needed to protect competitiveness," according to Mr Banham.

The CBI's pay databank draws from settlements reported annually by 1,470 companies of differing sizes in different sectors.

Extra money allocated for long-term jobless

By Emma Tucker

THE GOVERNMENT yesterday signalled a reversal in its strategy towards rising unemployment by announcing an extra £120m in the next financial year to help the long-term unemployed find jobs.

Mr Michael Howard, the employment secretary, said in the House of Commons that the money would ensure that Employment Training (ET) - the scheme for the long-term

unemployed - "could continue to play its full part in helping unemployed people back to work".

The money would go to the Training and Enterprise Councils in England and Wales and the Scottish Enterprise and Highlands and Island Enterprise.

Earlier this month the government confirmed there would be 30 per cent cuts in public expenditure on training

programmes for the adult unemployed. It was announced then that spending on ET would fall in cash terms from £1.062m in 1990/91 to £757m in 1991/92.

Mr Tony Blair, the opposition Labour party's employment spokesman, said the £120m was less than one-third of the amount being cut from the department of employment's budget next year. There were still thousands of training

places at risk because of the cutbacks, and training centres and programmes were being closed, he said.

"This government, having created unemployment, is now abandoning the unemployed," Mr Blair added.

Mr Howard responded to criticism from the opposition of rising unemployment by insisting that there were more people in work than ever before.

EDUCATION FUNDING

Latest government grants class Britain's universities into unofficial 'pecking order'

By Richard Evans

AN UNOFFICIAL "pecking order" of favoured British universities where the number of students will increase by twice the national average was revealed yesterday in details of next year's government grant published by the Universities Funding Council.

The criteria used in making the allocations for 1991-92 include assessments of teaching quality, innovative courses including those designed to expand access to higher education, high research ratings, and demand from employers for graduates.

Within the total allocation of £1.35bn in government grant for the next academic year, there are substantial differences in grants to universities regarded as successful and efficient, and the remainder.

Among universities that gain most from the council's allocations are Bristol, Reading, War-



Kenneth Clarke: still seeking efficiency savings

wick, Sheffield and Newcastle, which win big cash increases to enable them to increase student numbers.

Oxford and Cambridge universities also do well. Some universities would have faced cuts in funded places or a very low increase in resources but for the operation of a safety net.

The institutions that have won special help by having their funded student numbers increased are Aston, City University, London Business School, Loughborough, Manchester Business School and Salford.

Within London University, five colleges - Goldsmiths, King's, Queen Mary and Westfield, Royal Holloway and Belford New College, and the London School of Economics - have also had their funded student numbers increased.

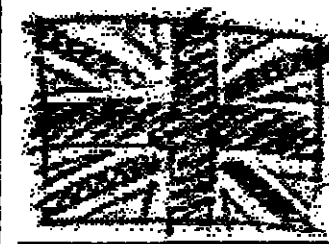
The 52 universities and colleges in Britain had asked for a total of 335,000 student places in 1991-92, but the council is to fund only 303,700. However, this represents an increase of 7

per cent on the numbers funded through all government grants this year, and the council expects universities to take in extra students without government grant.

Mr Kenneth Clarke, education secretary, has called on the universities to make further efficiency savings, and the council has assumed an efficiency gain of 1.5 per cent compared with the current financial year.

Mr Clarke has held back £22m in grant until the current pay negotiations on academic salaries are concluded. The funding figures assume that this money will be released before the start of the academic year.

BRITAIN IN BRIEF



Eurotunnel group wins \$389m loan

The EC executive Commission has granted a \$389m loan to the Franco-British project digging a tunnel under the English Channel.

The loan will be given to the partners in the Eurotunnel group, Eurotunnel Finance of France and Eurotunnel Finance of Britain, to buy steel.

The amount corresponds to the cost of EC steel being used in parts of the project, including linkage of the main rail tunnel with a service tunnel, purchase of rolling stock and construction of terminals in France and Britain.

Centre party looks to Europe

The Liberal Democrats, Britain's centrist party, have set European integration alongside electoral reform as an "indispensable foundation" for election manifesto.

Mr Paddy Ashdown, Liberal Democrat leader, explicitly acknowledged that his party was trying to shape its agenda for well beyond the next election when he launched the document entitled *Shaping Tomorrow*, starting today.

Commitments included a stronger competition policy and a pledge to increase income tax, if necessary, to fund education improvements. The party also supports an idea of an independent central bank.

Scotch distillers protest at tax

Scotch whisky distillers have protested about "heavy tax discrimination" against them.

The duty on a standard measure of Scotch is almost 20p, nearly twice as much as the tax on a glass of wine or a half pint of beer, the Scotch Whisky Association said in its pre-Budget message to Mr Norman Lamont, the chancellor of the exchequer.

Private sector coal grouping

A new organisation grouping private UK coal producers has been formed.

The Confederation of UK Coal Producers, or Coalpro, has 27 member companies from the private sector, which produces about 20m tonnes of the 95m tonnes of coal mined in Britain each year.

Mr David Heathcote-Amory, undersecretary of state for energy, said Coalpro would provide a useful channel of communication between his department and the industry.

Inland Revenue accused on tax

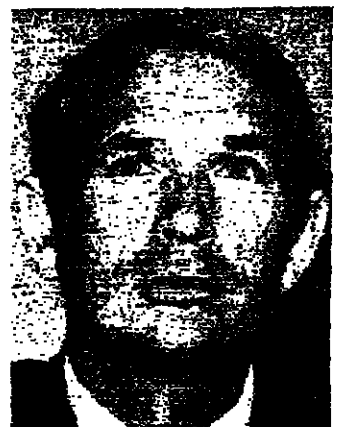
The Inland Revenue has been accused by a German bank in the High Court of breaking national and EC law by refusing to pay £5m in respect of interest on overpaid corporation tax.

Commerzbank claimed it was entitled to a "repayment supplement" - a sum payable to companies resident in the UK when there has been overpayment of tax.

Campaign fund for tourism

A £1.6m campaign to fight the UK holiday industry slump caused by the Gulf war and the recession has been announced by the government.

Tourism minister Viscount Ullswater, speaking in London at the British Institute of Inland Revenue awards, said: "I am well aware of the difficulties faced by the tourism industry in the UK."



Viscount Ullswater: launched campaign

"The slowdown of the world economy is aggravated by the situation in the Gulf. Terrorist outrages do not help."

Half the money will be spent persuading Britons to holiday in the UK, with the rest promoting Britain as a holiday destination for foreigners.

Rail travellers' help expected

Passengers on the London Underground will be expected to help evacuate trains in an emergency because of staff cutbacks, the Rail, Maritime and Transport union has said.

Drivers have been told that in the event of a fire they should ask a passenger to help evacuate the train.

Mr Jimmy Knapp, general secretary of the union, said:



Knapp: says passenger safety is at risk

"At a time when the need for the highest standards of security and safety has never been greater, it is bordering on the criminal to increase risk to passengers, particularly when the justification for it is cost-saving."

Visa launches new debit card

Visa international, the plastic cards payment system, has launched Delta, a new debit card symbol.

The symbol will be put on all Visa debit cards in the UK, enabling them to be distinguished from the Visa Classic credit card branding. Unlike credit cards, debit cards deduct payment from the holder's bank account in two or three days.

Former seamen's leader cleared

Seafarers' leaders have cleared the former general secretary of the National Union of Seamen of agreeing a no-strike deal with Cunard, the shipping company, in return for payments to the union.

It had been alleged that Mr Sam McCluskie had entered talks with Cunard with the aim of guaranteeing normal work on three ships, including the QE2. According to a draft agreement, Cunard would have paid the union £80,000 a year as part of the deal.



Neals Yard, (above) the wholefood retailer in London's Covent Garden, has succumbed to trading difficulties and been placed in the hands of the receivers. The company's flagship shop, part of the Neals Yard complex, had become a mecca for the cognoscenti, be it of organic produce in the wholefood shop, brown flour pizza in the take-away restaurant, herbal teas and essential oils in the apothecary or shiatsu massage in the therapy rooms. Only the shop is affected by the receivership, but together they combined to give an aura of the complete "alternative" society.

Mr Philip Wallace, the joint administrative receiver from KPMG Peat Marwick, said he had received over 100 expressions of interest in buying the company, which has annual sales of £2.2m. It made a small loss last year.

Brussels may support European news rival to CNN

By Andrew Jack

THE European Commission might consider supporting a European news channel and offering incentives to encourage independent producers' work, an EC official told an FT conference in London yesterday.

Mr Jean Dondelinger, a member of the Audio Visual Commission of the EC, outlined possible "encouragement" for a European equivalent of CNN (the US Cable News Network), funded through the Commission's Media 1991-95 action programme.

Mr Dondelinger, speaking at the conference on cable television and satellite broadcasting, said: "There is a lot of regulation and in many areas there is more regulation ahead."

Laws being considered include measures dealing with copyright, competition and media ownership designed to "strengthen Europe's audio visual capacity".

Mr William Roedy, manag-

ing director and chief executive of MTV Europe, said cultural and language difficulties and varied laws and technical standards made the idea of satellite television in Europe look extremely daunting.

But he said MTV, with its stress on being a European company and its tight focus on the European market meant that it might be profitable by the end of this year.

Mr Alexander Gelderman, director, Pierson, Gelderman and Pierson, a Dutch finance bank which finances television production, said he believed there would be no decline in television advertising in Europe.

He said commercial television would create more advertising income. But he warned that it would become "increasingly difficult for independent producers and production companies to obtain the money they need".

Meanwhile, Sir Donald Mait-

FT CONFERENCE

CABLE TV & SATELLITE BROADCASTING

land, the former deputy chairman of the Independent Broadcasting Authority, who chaired the conference, said the three UK broadcasting regulatory bodies were causing confusion and raised fears of litigation and declining quality within the industry.

Mr Peter Lloyd, the parliamentary undersecretary of state at the Home Office, however, said he felt the Broadcasting Complaints Commission would have fulfilled a very good role by helping focus pub-

lic comments.

Referring to the growth of cable television in the UK, he said that the cable industry had made only "sedate progress" with connections to 16.6 per cent of households in the 135 franchise areas of the UK.

He blamed the slow level of connections on the "inevitable caution" of both consumers and suppliers to invest in a new industry.

"Bureaucrats and politicians should not allow themselves to be carried away on a flood of enthusiasm for a particular technology," he said.

Mr Gary Davey, deputy managing director of British Sky Broadcasting, the satellite station formed when Sky and BS2 merged last year, said he believed his company and many other satellite services could survive "providing we maintain today's current levels of statutory common sense in all areas of cost".

BSkyB was planning an

advertising campaign to begin in late March worth "a number of millions of pounds".

The company would broadcast the same five channels on both its Marco Polo and Astra satellites. Eurosport Channel, designed to cover sport across Europe, was likely to be abandoned, he said.

He added that he was excited by projections showing that BS2 will have reached between 8m and 10m homes by 1995.

Dr Pierre Meyrat, director general of Société Européenne des Satellites, said: "Much of the development of satellite distribution of television in Europe has so far been driven by technological criteria and political imperatives, not by market forces."

The Astra 1A and 1B systems due to be launched on Friday were a long term economically viable and market oriented systems, he said.

Later, Mr Greg Dyke, the managing director of London

Weekend Television warned that the current television franchise round could be disastrous for the TV industry.

Mr Dyke said bidders for the franchise to operate one of the UK's independent television channels had no firm knowledge of either the state of the UK economy in the 1990s or what the competition from the BBC, Channels 4 and 5, and satellite cable TV would be like.

"This process is absurd for both incumbents and outsiders bidders alike," he said.

Mr Dyke also warned that there was a danger that the franchisees would go to which ever company had the most optimistic view, which could lead to a serious decline in the quality of programming.

"This round [of bidding] could turn out to be a lottery," he said. The conference continues today.



Peter Lloyd: believes that inevitable caution has led to only 'sedate progress' in UK cable connections

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OLD PROS ON A NEW TEAM

Group tax relief claim ruled invalid

GALLIC LEASING LTD v COBURN (HM Inspector of Taxes)
Court of Appeal
(Lord Justice Fox, Lord Justice Balcombe and Lord Justice Stocker)
February 13 1991

A CLAIM for group relief from corporation tax is invalid unless it identifies the company which will be surrendering its loss, and quantifies the amount to be surrendered.

The Court of Appeal so held when allowing an appeal by the Inland Revenue from Mr Justice Vinelott's decision that the taxpayer company, Gallic Leasing Ltd, had made a valid claim for group relief from corporation tax.

Section 258(1) of the Income and Corporation Taxes Act 1970 provides: "Relief for trading losses... from corporation tax may... be surrendered by a company... which is a member of a group of companies and, on the making of a claim by another company... of the same group, may be allowed to the claimant company by way of relief from corporation tax called 'group relief'."

LORD JUSTICE FOX giving the judgment of the court, said that Gallic Leasing was a member of a group which included five other companies. During the accounting period to March 31 1983 each of those companies sustained trading losses which were capable of being surrendered to another company in the group for relief from corporation tax.

Section 254(1) of the Income and Corporation Taxes Act 1970 provided that a claim for group relief must be made within two years from the end of the surrendering company's accounting period.

On October 1 1983 the tax inspector sent Gallic Leasing a notice of assessment to corporation tax for the period to

March 31 1982. On October 31 1983 an appeal was lodged on its behalf by its accountant. In the notice of appeal application was made to postpone payment of tax. The notice bore a manuscript note at its foot stating "profits will be covered by group relief".

The postponement was agreed by the inspector. On June 30 1983 the accountants sent a copy of the accounts for the period ending March 1982 to the inspector, together with a corporation tax calculation. The profit and loss account showed nothing payable in respect of tax. Note 6 to the accounts under the heading "taxation" set out the corporation tax payable at 52 per cent of the profits for the period, and an equivalent amount of group relief.

The inspector acknowledged receipt on July 18 1983. He added that he had no inquiries to raise and awaited details of the group relief.

The accounts of two of the other companies in the group were sent to the inspector in June and August 1983. The accounts did not show that any reliefs were to be surrendered. There was no further correspondence. No notice of consent by any company in the group to the surrender of losses was given to the inspector by March 31 1984.

The issue was whether the notice of appeal or the accounts, or both together, constituted a "claim" for group relief by Gallic Leasing.

Section 258(1) of the 1970 Act permitted trading losses to be surrendered by one company within a group and, "on the making of a claim" by another company in the same group, they might be allowed to the claimant company by way of relief from corporation tax.

Two or more companies might make claims relating to the same surrendering company and the same accounting

period. A surrendering company must give consent (section 264(1)).

The Revenue asserted that no claim for group relief was made by the Gallic Leasing within the two-year period. The general commissioners upheld the Revenue's contention. Mr Justice Vinelott upheld an appeal by Gallic Leasing. The Revenue now appealed.

The first question was what was the nature of the claim? It was necessary to bear in mind that the basis of the statutory provisions as to group relief was that each claim to losses of a surrendering company was a separate claim.

Although the relief was referred to as group relief, the group consisted only of two companies. There might be a number of claims but the number depended on the number of surrendering companies. In relation to a particular claim there would be one claimant company and one surrendering company.

Accordingly, each claim must be considered separately. The two-year provision was tied to the surrendering company's accounting period to which the claim related.

Thus far, therefore, a claim must be a claim to losses or reliefs surrendered by a particular company.

Second, the claim must relate to specific losses or reliefs. That followed from section 258(1).

The Revenue accepted losses might be claimed in any objectively determinable manner.

A claim must be in such a form that the inspector was able to accept or reject it, wholly or partially, within the provisions of the legislation. A claim which did not identify each surrendering company and the amount surrendered by that company was not a valid claim. Its content was not such that the inspector could determine whether it should be

accepted or not.

A claim could be accepted in a different amount from that claimed. There might well be disputes as to questions on the facts and the law.

But to constitute a claim, a sufficiently defined quantification of the sums to be surrendered was a necessary requirement. That did not mean it must be immediately quantifiable. It might have to await figures and calculations not yet available.

In the present case the documents relied on as constituting the claim were: (i) the manuscript note on the notice of appeal "profits will be covered by group relief"; and (ii) Gallic Leasing's company accounts to March 31 1982, which stated "Corporation tax - £167,000... Group relief - £167,000".

Those statements gave no indication of the identity of a surrendering company or companies, or of the amount to be surrendered by any company. They did not constitute a valid claim.

Gallic Leasing's contention in effect was that there was a sufficient claim if, within the two-year period, the claimant company notified the inspector that it claimed group relief on its profits. All further information to explain and justify the claim could be supplied outside the two-year period.

If that were right it would largely deprive the statutory time limit of real effect. It seemed improbable that Parliament, having imposed a time limit for claims, could have intended such a consequence.

It could be said that if the inspector felt there was undue delay by a claimant company in providing necessary information relating to the claim, he could issue a notice of assessment and let the company appeal. However, that was not acceptable in relation to the present issue.

Mr Justice Vinelott said that

if the Revenue's submission were well-founded it would lead to anomalous and unjust results.

If company A in a group made a profit in a given accounting period and claimed group relief specifying company B as the surrendering company and B was unable to consent before its accounts were finally determined, the claim was invalid unless there was still time for A to make another claim within the two-year period.

There was force in that point. There was hardship. But it was not really an anomaly. It was simply a hardship arising from a time limit provision.

Parliament must have regarded the two years as adequate to enable the identity of the surrendering company and the amount surrendered to be decided on. If, as Mr Goldberg suggested, the period might in some cases be inadequate, that was a matter for amending legislation. The court could only give effect to the statutory language.

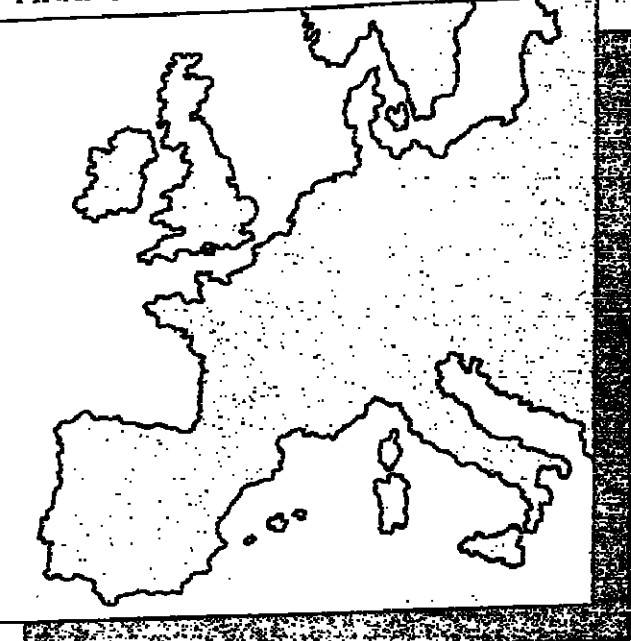
The appeal succeeded.

However, the Revenue might have been more helpful to taxpayers than it had been. Section 42 of the Taxes Management Act conferred powers on the Revenue to settle a form of claim. It had not done so. It was in the interests of both sides that taxpayers and their advisers knew what information had to be provided to make a valid claim. That would reduce disputes and delay.

The appeal was allowed.

For Gallic Leasing: David Goldberg (Cameron Markby Hewitt).
For the Revenue: Alan Moses QC and Launcelot Henderson (Inland Revenue Solicitor).

Rachel Davies
Barrister



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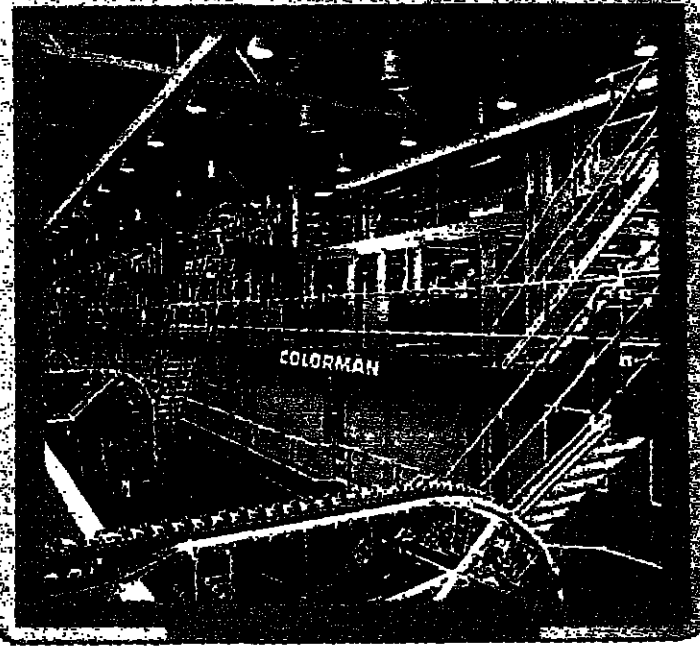
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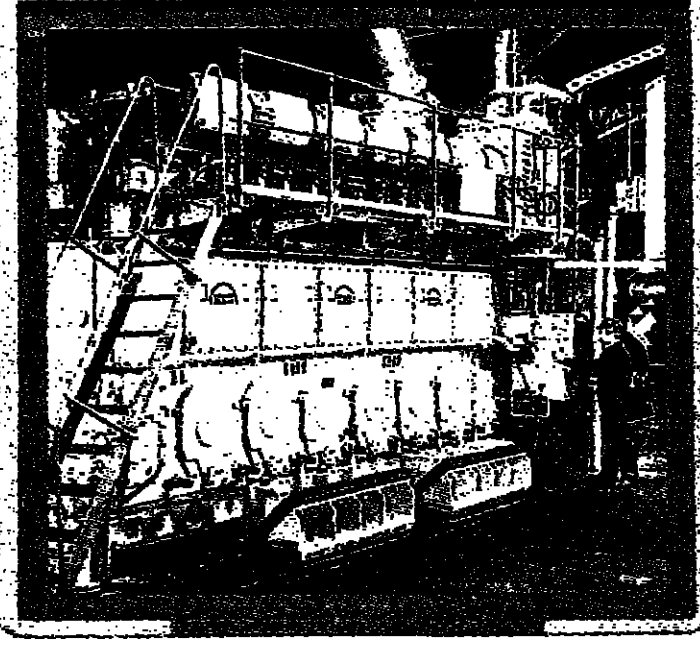
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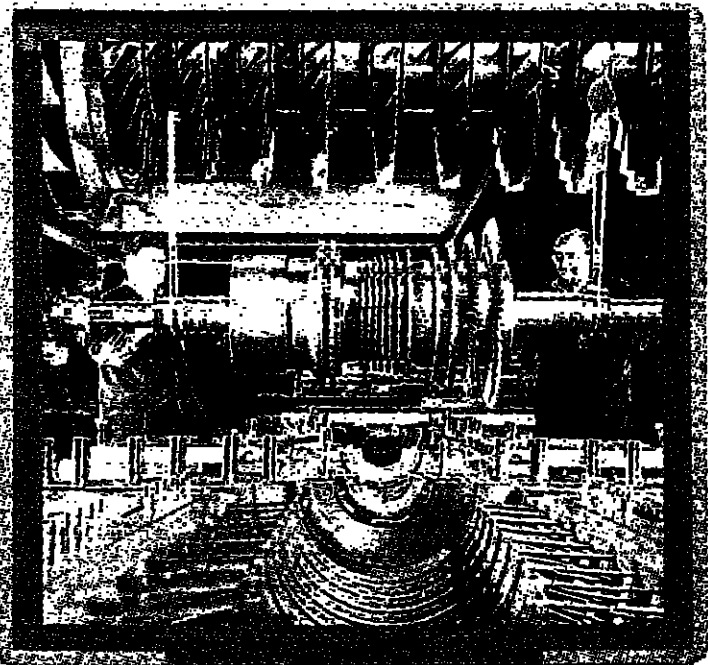
Trucks



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Turbomachinery



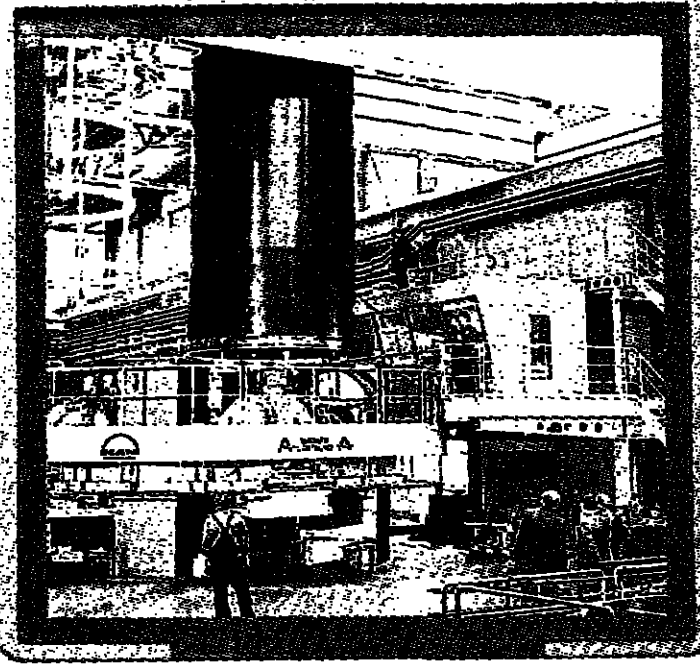
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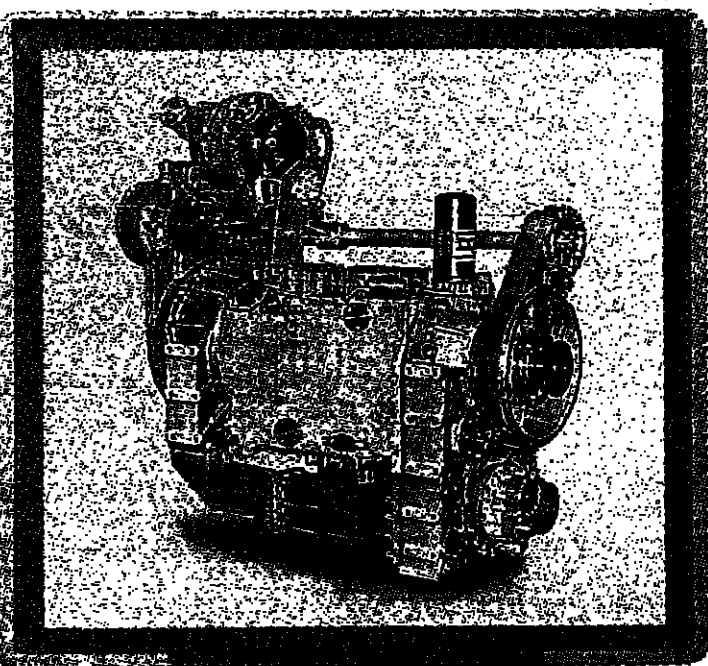
Major shareholdings

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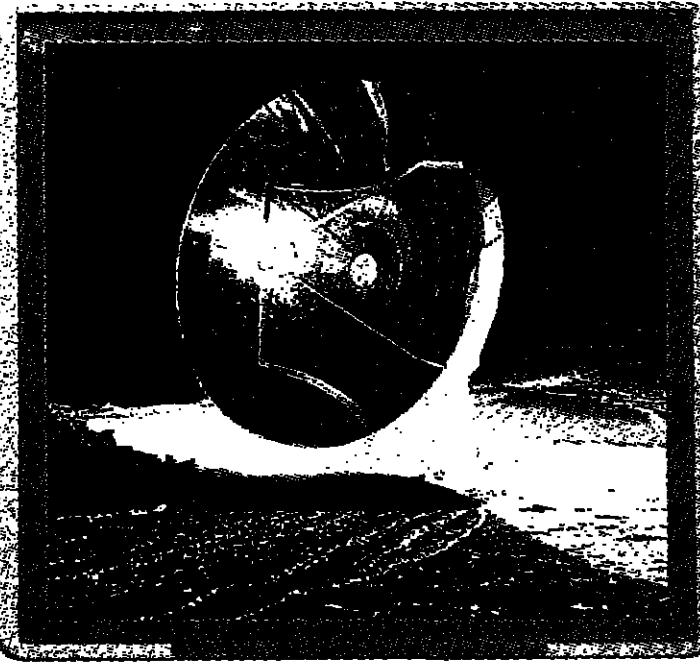
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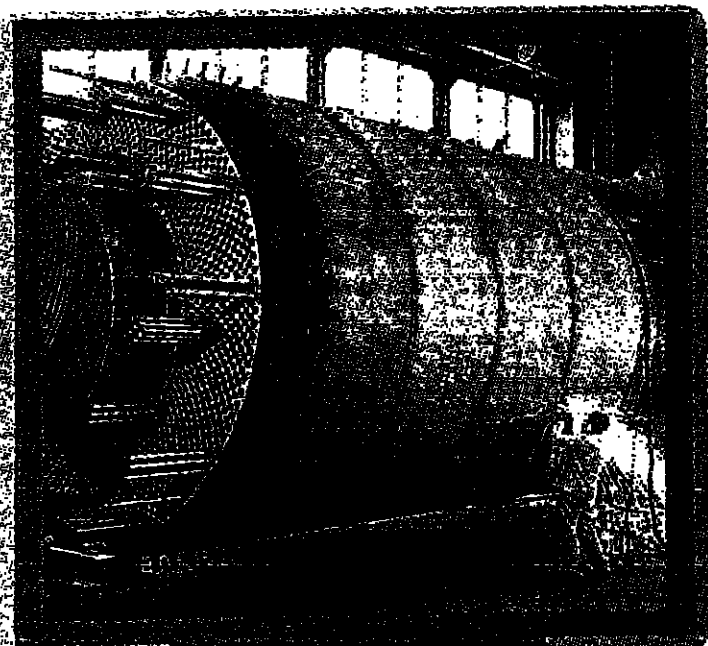
Components for space travel



High-power gear units



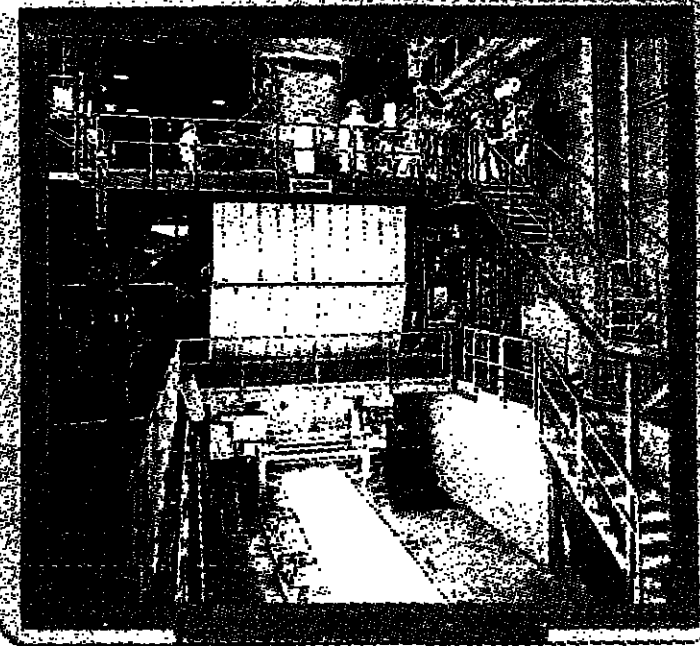
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MANAGEMENT

European chemicals industry

Why Solvay is a keen advocate of continuity

Clive Cookson reports on the strategy of an alkaline dynasty

There is an extraordinary continuity to the European chemicals industry. While the key players have their origins in the last century and have since expanded to become giants in their industry, their roots are still readily identifiable.

No company better represents this continuity than Belgium's Solvay Group - and no individual expresses it better than Jacques Solvay.

Solvay, great-grandson of Ernest Solvay who founded the company in 1863, retired in June at the age of 70, after 20 years as chairman of the Solvay board.

Operating within a business framework that was established largely during the late 19th century, he has presided over a successful expansion of the group; it is now Belgium's second largest company and about 15th in the world league of chemical groups.

The "alkalis" business, descended directly from Ernest Solvay's original soda ash manufacturing, still represents 30 per cent of the group's turnover. But today it is just exceeded in size by the plastics business, started in the late 1840s. The fastest growing sector of Solvay is health (pharmaceuticals and animal health), which has expanded from 5 per cent to 13 per cent of total sales since 1980.

"I do not think the group is going to push for further diversification for the foreseeable future," Solvay says. "We will try to do better with what we have."

Solvay will continue to build up its health business, he says, "but it will be very difficult to catch up with the big pharmaceutical companies". The group's 1990 sales in the sector were Bfr33bn (\$1.1bn).

Alois Michelsen, the Solvay director responsible for the health sector, takes issue with the conventional view that "you have to be very big to survive in pharmaceuticals". He believes that, by spending selectively on research and development, the health subsidiaries Duphar and Solvay

Pharma Deutschland (formerly Kali-Chemie) will continue to grow profitably.

Solvay's cautious financial policy would prevent its spending the two to three billion dollars that would be required to acquire even a medium-sized pharmaceutical company in the US, where Solvay is particularly keen to expand sales.

The alternative strategy for instantly increasing the size of the pharmaceuticals business - forming a 50:50 international joint venture - would go against what Solvay calls "our tradition of keeping full control of our businesses". But the company does want to establish strategic alliances for parts of the business.

"Many of our joint venture attempts have led to disgruntled staff," he says. But he adds that Interco, the "happy and successful" joint venture established with Laporte of the UK in 1970 to make peroxides, is the exception to Solvay's general preference for 100 per cent ownership.

Solvay says there are no plans to change the company's relationship with Laporte, in which it has a 25 per cent shareholding. Many analysts predict that the 1990s will be a decade of asset-swapping between the international chemical groups, as each seeks to concentrate globally on its technical and marketing strengths and divest itself of activities in which it is relatively weak or has only a local presence.

His company will take less part in this process than other large chemical companies, Solvay says, because its business is less diverse than theirs.

Solvay is now suffering from the cyclical downturn in the chemicals industry, though less severely than most large European companies. Its 1990 net profit fell by only 5 per cent to Bfr15.5bn (\$555m).

"In the recession of 1991, we had a debt load that added to the punishment," Solvay comments. But Solvay used its strong cash flow during the late 1980s to build up a protective financial cushion for the next downturn. Robert Friesswinkel, finance manager, says

the company now has only about Bfr15bn (\$500m) net debt.

Solvay joined the family firm in 1950, after spending three years in the US working for General Electric. He took over as chairman of Solvay's board and of its executive committee in 1971.

In 1986 he handed over the executive committee to the next generation: Baron Daniel Janssen, a great-grandson of Ernest Solvay. His successor as chairman of the board, who will be chosen in April, is almost certain to be another member of the family.

"It is not going to happen again that the same man will be both chairman of the board and of the executive committee," Solvay says. He agrees with international opinion that believes a company needs someone to represent shareholders' interests and a different person to have responsibility for running the company.

Jacques Solvay has played a vital role in the development of the European chemicals industry over the past two decades. For example, his efforts helped to make Celic, the chemicals trade association, into one of Europe's most effective industrial lobby groups.

To a large extent these open links have replaced the very close but informal working relationships that used to exist between European chemical companies when they operated what would today be regarded as an illegal cartel. "I spent four months with ICI in 1953, at a time when ICI and Solvay were very close," Solvay says. "Now we have cut all those bonds and there's nothing left."

Even so, the European Commission fined Solvay and ICI a total of Ecu47m (\$30m) last December for breaking EC competition law by dividing up the market for soda ash, an important industrial chemical. Both companies indignantly denied the EC charges and said they would appeal.

In spite of this setback, Solvay believes that the industry enjoys generally good relations with the EC. "We have been much more successful with the commission than with public opinion," he says. "The image of the chemical industry is still miserable on the whole and improving it will be a slow process."

One reason for the poor image may be that Solvay's generation of chemical industry leaders did not regard public relations - let alone what is now known as "media relations" - as an important part of the job. Unlike his more flamboyant successor, Baron Janssen, Solvay has made little effort to cultivate journalists or to put the industry's environmental case to the public.

Solvay's powerful intellect and his personal charms are therefore known mainly within chemical circles. One who has worked closely with him and admires him as "one of the finest men I have ever met", is Ken Minton, chief executive of Laporte. Minton says that, in spite of his strategy of continuity, Solvay "has led the company in new strategic directions - for example into the polymers business in the US".

Solvay speaks English with a flawless accent, picked up from the British nannies who looked after him in the 1920s. The first language of the Solvay family and the Solvay company is French, and he confesses to wishing that his Flemish was as good as his English.



Jacques Solvay: more successful with the European Commission than with public opinion

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Competitive innovation

Let's do this in stages...

By Simon Holberton

Being first matters. Not for its own sake but because you may lose a lot of money if you're not.

In the mid-1980s in Britain GM stole a march on Ford when it introduced its Cavalier model in 1982. Ford responded in 1983 with the launch of the Sierra and regained market leadership by the end of 1986.

The cost to Ford of being one year late with the Sierra was \$1m in lost profit.

Technological leadership also matters. During the 1980s the life of portable hi-fi systems declined markedly. But the pressure to introduce new models at the top end of the market (Sony) has been much less than for those at the bottom (Sanyo). The product life of a Sanyo Walkman has declined from less than 2 1/2 years to little less than 1 1/2 years; for Sanyo, the product life of its Walkman equivalent has halved to 6 months.

These two examples come from a report by Ranganath Nayak, a senior vice president with the Arthur D Little management consultancy in the US. His report highlights the financial benefits to companies of swift product development and technological leadership.

More important, he has analysed the product development process and shown how the best companies organise that endeavour. Some of his findings are counter-intuitive; others commonsensical.

Having good ideas is a necessary but not sufficient attribute of success. It was EMI that invented the scanner but General Electric and Siemens that made it into a product. Bowman Instruments invented the pocket calculator only to have Texas Instruments and Hewlett-Packard take it to market, although they got taken to the cleaners by Japanese manufacturers.

But if companies can manage good ideas well then the benefits are considerable. Being first on the learning curve affords a cost advantage denied to followers and, if a company can manage to innovate continuously it can, so Nayak claims, maintain a continuous cost advantage.

So how do the best do it? First of all, the process by which they develop projects is one of incremental innovation

- it is faster and cheaper - than by trying to do it in large lumps. As Nayak observes: "The relationship between project size and time-to-complete is highly non-linear." As projects get larger more people become involved and more communication and co-ordination time is needed. So keep them small.

But the strategy of incremental innovation must be supported by a high frequency of product introductions, "each incorporating a few technological innovations", he argues. "Frequent product introductions not only permit R&D to be organised into small projects but offer a longer window of opportunity for introducing new technology."

The best companies do not ignore their customers in the process of innovation. Contrary to received wisdom, Nayak argues, most good ideas do not come from marketing, sales, competitors or top managers but from customers.

These companies insist that their technologists get out into the marketplace and talk to customers. "The best features and functions in a technological product come from the intersection of technology know-how with customers' wants and needs." This is different from the two most commonly practised approaches to technological development: faith that somewhere there is a customer who will want the

product; and the assumption that customers are not interested in technology.

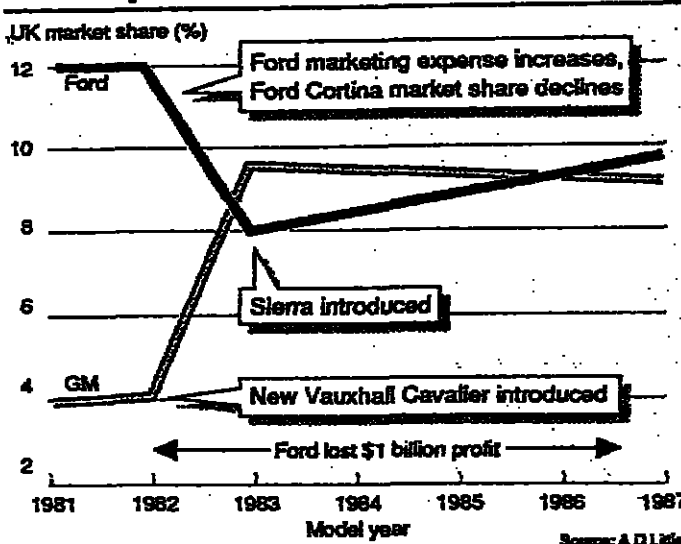
Nayak is also an advocate of multifunctional teamworking as a means of speeding up product development process. "If you have technology insight, multifunctional teamwork, and customer orientation throughout the organisation, you get a combination of good ideas or problems together with good solutions and that's the starting point for great products."

In developing those products, Nayak says that A D Little research shows that those who spend more time engaged in product planning will spend less on product development. Those who spend more time in planning will take less overall time on getting to market.

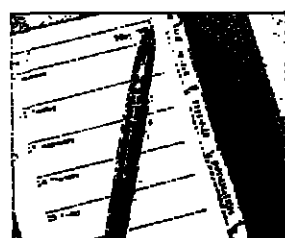
He cites an example of a study into the European truck industry and the time it took nine competitors to develop a new vehicle. The best performer, a US manufacturer, spent two years in the planning stage and a further two years to complete the development project; the worst performer, a European company, spent two-thirds of a year in planning, but more than six years to complete the development project.

Technological Change. Available from: Arthur D Little, Berkeley Square House, Berkeley Square, London W1X 6EY. Tel: 011-409 3277.

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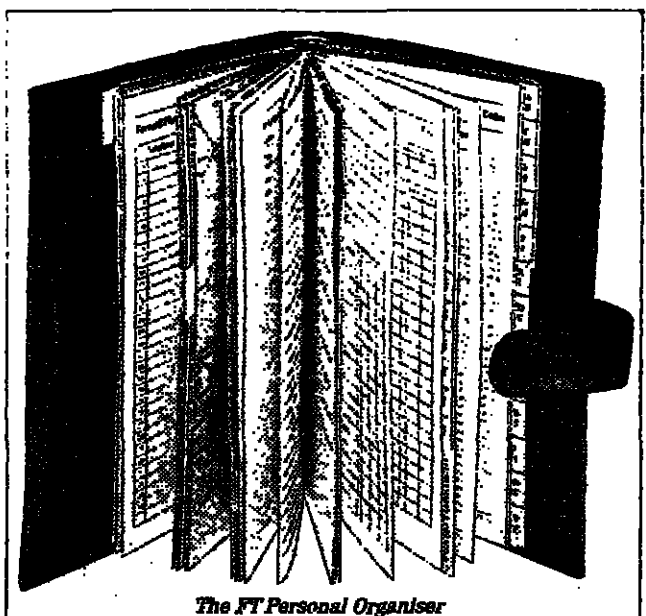
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ARTS

TELEVISION

Cries of woe and 'whoa...'

Some FT readers may have been rather glad when dramatic events in Kuwait late on Monday evening caused the delay until after midnight of Patrick Forster's TV programme *Money For Nothing*. It was, however, only shown in London. The title is a wonderfully ambiguous: it refers both to the huge sums paid by banks to acquire brokers after Big Bang, money which has gone "for nothing" in the sense that so many of these hybrids, it seems, have failed to make a profit; and also to the large sums acquired by a small number of founders whose shares have now been bought back. No doubt some will feel it is just as well that the programme had such a limited and late outing: it shows the denizens of the City as shady, inept, or greedy, and sometimes all three, and indicates that once you are a thousand millions of pounds of other people's money, even failure can leave you living in the sort of house which can only ever be a daydream for most viewers. Perhaps ITV could find an 8 o'clock slot to show it on the rest of the network.

The Gulf War is increasing the speed at which the "age of information" is becoming manifest. Cries of woe (and "whoa!") come from those who reckon that enough is as good as a feast. They point to the Second World War, saying that the public appeared to get by well enough with bulletins which said things such as "Bomber Command has mounted a one-thousand aircraft raid on Cologne. The German army is besieging Sebastopol. Rommel's Afrika Korps has advanced to Sidi Barrani. Now back to Sandy MacPherson at the theatre organ". Why, they ask, should we now be devoted to the chase of television and radio to news of a war which, unlike the Second World War, is not a matter of national survival. Furthermore, they ask, is it not obvious that there is too little real news to fill these channels, so that they will inevitably become repetitive and speculative.

Clearly there is some truth in this, and the broadcasters do not deny it. The *Channel 4 News* *Midnight Special*, a two-hour programme of news bulletins and studio analysis, is a classic example. The presenter recently began a discussion by asking one of his guests "Speculate for, if you will, that...". However, the largest number of examples probably comes from the all-news service on the BBC's Radio 4 FM network (known inside Broadcasting House as "Rolling Thunder"). Last Friday afternoon the presenter asked his colleague "What's the speculation in Washington?"

To some extent reporters are exchanging the traditional commodity of fact for the new merchandise of guesswork. Either they are prevented from finding out what is actually happening (except when taken along by the military in a crocodile with other reporters, dressed up in soldier's uniform - the BBC's Brian Barron and ITN's Alastair Stewart being admirable exceptions, they stick to lawn civilian clothes and look like real journalists instead of imitation soldiers - and show whatever little snippets of propaganda exercise the military on either side cares to dream up) or else we all find out what is happening at the same time as they do: when Stormin' Norman gives a press conference, for instance, and we can all see it live. So instead of being required to tell us what has happened in the immediate past, reporters are increasingly required to offer their opinion on what may happen in the immediate future. In other words guesswork.

Old news hands will hate it, but perhaps this is the future of factual broadcasting. In the age of information, events are conveyed as they happen, the minute details of what the journalist sees to be a "reporter" and moves over increasingly to speculation. At present, of course, you can still find something close to the old style if you want it: the news bulletins on Radio 3, the BBC's *Newsnight* on television, *Despatches* and *Desires*, and *Bergerac*. Perhaps the most significant



Fictional sleuthing rather than speculation over the Gulf. Jeremy Brett as Sherlock Holmes and John Thaw as Inspector Morse

fact is that only the first and last of these - *Spender* and *Bergerac* - come from BBC1. The rest, five British and two American, are all shown by ITV. The theory in ITV seems to be that the time has come to abandon the bottom end of the market, the sort of people attracted by all-in wrestling and darts (leave that to the satellite channels) and instead go much harder for the Saab and Sanderson crowd.

And what do such people like? Why, good old fashioned, middlebrow, middle class, murder (the rough diamond George Spender, a BBC creature, remember). Sure enough, audience figures suggest that this play works like a dream. The BARB ratings show that Jessica Fletcher attracted 11.2m viewers on her last outing, Morse got 11.5m, Poirot 12.5m, and Dalgleish 12.6m. For the BBC *Bergerac* managed 10.5m and *Spender* 11.3m. For the

sake of comparison, *Coronation Street* at No 1 gets about 17m and *Q&A* somewhere below No 20 scores 8m. So most of these series get into the Top 20 of the channel on which they appear. Whether the sleuths can really go on getting such ratings at the present level, or even rises, remains to be seen. There must presumably be a law of diminishing returns.

If you were choosing just one to lay down on video for posterity it would surely have to be *The Casebook of Sherlock Holmes*, a series from Granada again, which is extraordinarily impressive in every department: it is filmed on magnificent locations (last week for "The Disappearance of Lady Frances Carfax" what looked like the Lake District) and some breathtakingly expensive standing sets; its leading players, Jeremy Brett and Edward Hardwicke, are probably the best pair ever cast as Holmes

and Watson, which is saying a lot, with great depth in the supporting players (last week Cheryl Campbell, Michael Jayston and Jack Klaff); and of course the stories knock spots off all the other detective series. Since this sort of drama now costs about £0.75m per commercial hour (i.e. 55 minutes) it is a moot point whether we shall see much more of it after the ITV franchise auction. Those of us who failed to buy Burgundy while it was still affordable had better start laying down *Sherlock Holmes* now.

Did anybody else see the public information film last Wednesday urging "Listen kids, don't go strolling on frozen ponds"? Which "kids" do you suppose this was aimed at, given that it was screened at 1.40 in the morning?

Christopher Dunkley

Paul Shelley

All in the Wrong

ORANGE TREE, RICHMOND

The Orange Tree is one of those theatres that makes one despair of the term fringe, while reminding of all that it ought to signify in terms of adventure, energy and expertise. The despair comes from the implication that such theatres are on the fringes of artistic life. Yet in the 20 years since its inception - archetypically, in a room above a pub - this formidable little institution has propelled Vaclav Havel into the national consciousness, championed a bevy of new playwrights and dusted down the reputations of some old ones as well.

It now for the first time has its own theatre, shaped from an abandoned primary school close enough to its original venue for sentimentalists to repair there for interval drinks. While other fringe directors bury themselves in Eastern Europe, Sam Walters has chosen to launch this exciting new venture with a comedy from a 17th-century English playwright, Arthur Murphy, a friend of Garrick, whose opus has already provided the old Orange Tree with one tawny little fruit.

All in the Wrong is cleverly chosen to emphasise the elegance of a 17th-century theatre set in the round with an upstairs gallery garlanded with orange foliage. It is a comedy of amours bedevilled by jealousy, with such a runaway plot that it is tempting to regard it as parody. From halter skirts of dropped minuets and closet concealments, towering

rages and swooping spirits emerge two couples, whose blindness to reason is Murphy's central conceit. It is a rather clumsier piece than *The Way to Keep Him*, with none of the earlier play's entwining of upstairs and downstairs. The servants here serve merely as sturdy little engines to set a plot rolling which can only be brought back to a standstill with a scene of offstage explanation. But the ingenuity which which Murphy keeps it thundering along is a delight, with some marvellous scenes of double entendres - particularly those involving Liz Crowther's prattling Lady Restless, whose nose visibly quivers with suspicion of her husband, caught supporting a fainting lady in her hour of need.

Mind you, Paul Shelley manages to suggest more than a touch of old Satan in the counter-accusations of the technically blameless Restless. There is a nice balance here between the raucous of these seasoned spouses and the ardour of the younger couples. The flaming jealousy of Daniel Flynn's Beverley and the warm-hearted coquetry of Amanda Royle's Belinda are impressively framed by Gerard Logan and Janine Wood in the lesser roles.

The direction is, as always, impeccable with sumptuous costumes to offset the sparseness of Anne Greenberg's design. The spirit of the old Orange Tree continues, in greater comfort - and few could quarrel with that.

New Year

ROYAL FESTIVAL HALL

No new British opera of recent vintage has been so widely seen and heard in its first year as Tippet's *New Year*. Since the premiere in Houston, October 1989, it was staged at Glyndebourne last summer, and subsequently taken on the Glyndebourne autumn tour; on Monday evening it reached London for a concert performance with the original cast, conducted by Andrew Davis, under the auspices of the London Philharmonic.

Anyone who writes about Tippet has to come out on one side or the other - detached discussion has become almost impossible. I must confess to being a biased believer, once I have read everything he wrote before *The Ice Break* (well, almost everything - *A Child of Our Time* has always been worrifying), and now having to tread very carefully between the highpoints and the lowpoints to suspend disbelief just a little too often for comfort. In *New Year* those problems of credibility seem larger than ever: the gimmick dramatic scheme and two-dimensional characters, the crude orchestration and deliberate lapses of taste, all demand that the audience translates what it sees and

hears into what it has been told they represent.

Symbolism has swept all before it in late Tippet, when the premiere deals with stereotypes and minor details of characterisation and accuracy can be excused. So just as the characters in *New Year* are more significant for what they represent - unfulfilled, aspiring white girl, displaced black, the muted, the extreme - than for how they are portrayed, so Tippet's music can get by on approximation: it doesn't matter, for instance, that his "rock" writing for electric guitars is hopelessly undomestic, or that his "jazzy" saxophones never swing, they're only symbols, and symbols do not have to be grounded in reality.

The echoes of *The Knot Garden* and of the next works around it (especially *Songs for Doves*) are too obvious to ignore, how fresh that opera was, and how those themes of Jungian self-discovery that were explored first in *The Midsummer Marriage*, and later in explicitly contemporary terms in *Knot Garden* and *New Year* seem painfully contrived. The score has its glorious moments, especially the occasional

wellings-up of lyricism that recall the *Midsummer Marriage* sound world, as well as its quota of embarrassment, of which the use of "Auld Lang Syne" to end the second act seems one of the worst.

This performance under Davis's urgent direction was exuberant, always alive, with both the LP and the Glyndebourne cast. The vocalists were uniformly splendid - Helen Field's touching Jo Ann, Kim Begley's clear-toned Plegria (a throwback almost to a 19th-century lyric tenor role), Jane Shaulis's incisive Nan, and James Maddalena's rather self-satisfied Merlin, could all be related to conventional operatic stereotypes, so most of the time could Richetta Manager's outrageously over-the-top Regan. But both Kristine St. Hill's rapping, explosive Denny and Vernon Henry Jr's crooning, swooning Presenter are truly *his* genres; in their most flamboyant passages one almost believed in Tippet's optimistic synthesis, still hoped it might be made to work.

Andrew Clements

Die Walküre

CONCERTGEBOUW, AMSTERDAM

These days it is entirely possible, if one has the resources, to put on a *Ring* cycle that is gloriously sung. The Radio Philharmonic Orchestra in Amsterdam is in the midst of giving concert performances of the four *Ring* operas, though not sadly in the right order, and at its matinee in the V&A broadcast series at the Concertgebouw on Saturday it reached a tumultuously received account of *Die Walküre*.

By and large it was not a performance that added to one's musical understanding of the work. There is no reason why it should not have been, I well remember from when Goddard conducted a richly involving *Walküre* Act One in concert at Aldeburgh; but Edo de Waart's musical direction was not on the same level of inspiration. The music remained earthbound, despite the heights in the last act, where the voice was both ample and radiant. Klaus König sang correctly, but made a dull old stick out of Siegmund. Nor did Jari van Nes as Fricka or Jan Hendrik Roelofs as Hunding, in the senses, though in purely vocal terms these were two more

splendid assumptions, firm, rich and true.

Even among the Valkyries no expense had been spared. A fearlessly powerful line-up of ladies was headed by the young American Deborah Voigt, already making a name for herself as a Verdi soprano, and the lovely young Finnish soprano, Soile Isokoski. Another American, Susan Neaves, sounded a voice to be reckoned with, while the lower Valkyries included no less than two trusted British Frickas in Linda Finnie and Yvonne Howard. Fine performances all round.

The concert performance of *Siegfried*, also due to be broadcast later, will be given next Saturday.

José Carreras

The Spanish tenor José Carreras, currently singing Samson at Covent Garden, will give a concert at the National Exhibition Centre, Birmingham on March 20 with the Royal Philharmonic and Judith Howarth, soprano. On this, his first visit to Birmingham, the programme will consist of his favourite operatic arias.

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Thomas Sanderling conducts Netherlands Philharmonic Orchestra in music by Wagner and Schumann, with Rikva Golani soloist in Bartok's Viola Concerto. Tomorrow: Riccardo Chailly conducts Royal Concertgebouw Orchestra in music by Loevendie, Barto and Prokofiev (718454)

BARCELONA

Gran Teatre del Liceu 21.00 Jordi Savall conducts Una cosa rara (1768) by Vicente Martín y Soler. Spanish composer, who died at St Petersburg court. Also Fri and Sun (412 1486)

BERLIN

Music Staatsoper unter den Linden 19.30 Carl Orff double-bill. Tomorrow: Tosca (2004 782) Komische Oper 19.00 Harry Kupfer's production of Die Entführung aus dem Serail (2292 565) Deutsche Oper 19.00 Le nozze di Figaro with Marie McLaughlin as Susanna and Wolfgang Brendel

as the Count (3410 248) Schauspielhaus 20.00 Riccardo Muti conducts Berlin Philharmonic Orchestra in music by Schubert, Busoni and Scriabin (2614 383) Philharmonie Kammerorchester 20.00 Members of Berlin Radio Symphony Orchestra play chamber music by Chausson, Debussy and Gernzmer (2614 383) THEATRE Berliner Ensemble 19.00 Mother Courage (2627 712) Deutsche Theater 19.30 Kleist's Der zerbrochene Krug (2871 225) Kammeroper 19.30 G.B. Shaw's Heartbreak House (2871 226) Volkshaus 19.30 A Comedy of Errors (2082 748)

BONN

Oper 19.00 Dennis Russell Davies conducts Die Frau ohne Schatten with cast led by Ute Vinzing, Sabine Haas, Paul Frey and Stegmund Nimsger (773687)

COLOGNE

Philharmonie 20.00 Recital by Christa Ludwig, with songs by Schumann, Brahms, Liszt, Mahler and Strauss (2807) Opernhaus 20.00 Janis Martin sings title role in Elektra, also Sat. Tomorrow and Sun. La traviata with Inga Nielsen as Violetta (221 8400) Schauspielhaus 19.30 Brendan Behan's play Richard's Cork Leg (221 8400) Kammeroper 20.00 Brecht's In the Jungle of Cities. Runs till Sun (221 8400)

GENEVA

Victoria Hall 20.30 Armin Jordan conducts Orchestre de la Suisse

Romande in Prokofiev's Fifth Symphony, with Carmen Reppel soloist in Dance of Seven Veils from Salome (292511)

GOTHENBURG

Konserthuset 19.30 Olof Kenu conducts Gothenburg Symphony Orchestra in two works by Aulis Sallinen, with Patrick Gallois soloist in Mozart's Flute Concerto. Also tomorrow (167000)

HAMBURG

Staatsoper 19.00 Lady Macbeth of Mtsensk conducted by Donald Runnicles, with cast led by Olivia Sharp. Tomorrow: Karita Mattila sings Tatiana in Eugene Onegin (351555) Deutsches Schauspielhaus 19.30 First German staging of Ayckbourn's Man of the Moment (248713)

LONDON

DANCE Covent Garden 19.30 Alynna Asymuratsova in Natalia Makarova's production of La Bayadere, also Sat (240 1056) MUSIC Coliseum 19.00 Nancy Gustafson sings title role in David Pountney's staging of Rusalka. Tomorrow: The Turn of the Screw (836 3161) Royal Festival Hall 19.30 Lohar Zagrosek conducts BBC Symphony Orchestra in Mahler's Das Lied von der Erde (with Dolores Ziegler and Klaus König) and Wolfgang Rihm's Dies. Tomorrow: Neeme Jarvi conducts the Philharmonia (928 8800) Queen Elizabeth Hall 19.00 Opera Factory production of Le nozze di Figaro (228 8800)

Barbican Centre 19.45 Nigel Kennedy is soloist in a Mozart concert music from the year 1775 with English Chamber Orchestra conducted by James Judd. Tomorrow: popular Mozart orchestral programme (838 8891)

MUNICH

Staatsoper 19.30 Die Entführung aus dem Serail. Tomorrow: Der fliegende Holländer with Julia Varady as Senta and Robert Hale as the Dutchman (221316) Herkulessaal der Residenz 20.00 Christian Zacharias plays piano music by C.P.E. Bach, Beethoven and Mozart. Tomorrow: piano recital by Tzimon Barto (239901) Cavities-Theater 19.30 Arthur Schnitzler's Zwischenakt (221316)

NEW YORK

MUSIC Avery Fisher Hall 20.00 Herbert Blomstedt conducts San Francisco Symphony Orchestra in Peter Lieberson's new work World's Turning, plus Bartok's Concerto for Orchestra and Mendelssohn's Violin Concerto, with Gil Shaham (874 6770)

Carnegie Hall 20.00 Claudio Abbado conducts Vienna Philharmonic Orchestra in Mozart and Bruckner. Tomorrow: Abbado conducts Mahler's First Symphony (247 7800)

PARIS

Comédie Française 20.30 Le Mariage de Figaro by Beaumarchais. Tomorrow: Molière's La Mère coupable (4366 4360) Théâtre des Bouffes du Nord 20.30 Peter Brook's production of The Tempest. Last performance Sat (4607 3450)

ROTTERDAM

De Doelen 20.15 Frans Bruggen conducts Rotterdam Philharmonic Orchestra in symphonies by Mozart, Haydn and Beethoven, also tomorrow (413 2490)

STOCKHOLM

Konserthuset 19.30 Rudolf Barshai conducts Stockholm Philharmonic Orchestra in music by Bach,

Mozart and Shostakovich. Also tomorrow (244130)

STRASBOURG

Palais des Congrès 18.30 Spiros Argiris conducts Parsifal with a cast including Warren Ellisworth and Matthias Hollé (8875 4823)

UTRECHT

Vredenburg 20.15 Ton Koopman conducts Mozart symphonies with Amsterdam Baroque Orchestra. Tomorrow: Netherlands Philharmonic Orchestra conducted by Thomas Sanderling play Bartok and Schumann, with Rikva Golani viola (314544)

VIENNA

Volkoper 19.00 Kalman's Die Csárdásfürstin. Tomorrow: Entführung (51444 3318) Musikverein 19.30 Peter Schreier accompanied by Norman Shetler sings Mozart and Beethoven. Also tomorrow (505 8190) Burgtheater 19.00 Ibsen's An Enemy of the People directed by Claus Peymann (51444 2218)

ZURICH

Opernhaus 19.00 Deborah Polaski sings title role in Ruth Berghaus' production of Elektra (251 0609) Tonhalle 20.15 Sándor Végh conducts all-Mozart programme with Salzburg Mozarteum Orchestra, with Heinz Holliger soloist. Tomorrow: Hagen Quartet plays string quartets by Mozart, Schumann and Verdi (251 1880) Schauspielhaus 20.00 Molière's La Misanthrope directed by Rudolf Noeltz (251 1111)

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SATURDAY

CNN 0800-0830 Moneyline 0900-0930 World Business Tonight - a joint FT/CNN production. 1500-1610 Moneyline 1800-1830 World Business This Week 2100-2140 Your Money

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Superchannel 1800-1830 FT Business Weekly CNN 0710-0740 Moneyweek 1500-1610 Your Money 1900-1940 Moneyweek 0040-0110 Inside Business

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The beginning of the end

THE ALLIES were right yesterday to tell Saddam Hussein that he still had not gone far enough. Withdrawing from Kuwait is a necessary first step, but it was not accompanied by a renunciation of Iraqi claims to Kuwait nor by acceptance of the 12 United Nations resolutions and the tough but reasonable coalition conditions for a ceasefire.

But they would be wrong if they did not accept the inescapable logic of yesterday's first real concession of defeat by the Iraqi president, no matter how he otherwise dressed it up for internal consumption. The struggle for the liberation of Kuwait is being won by military means — but the politicians, diplomats and even the economists, not the generals, must soon move to centre-stage in determining the immediate future of Iraq, Kuwait and, with luck and patience, the rest of the region.

The guiding principle should remain that it is up to the Iraqis, and nobody else, to determine the fate of Saddam Hussein. The desirable end is that Iraq should no longer pose a clear and present threat to the security of its neighbours and it may be doubted that this can be achieved with Saddam Hussein in power. It would certainly help if the core of his military establishment, the Republican Guard, is further weakened on the battlefield in southern Iraq, as President Bush warned yesterday it would be unless Mr Saddam comes immediately to terms. But to fight all the way to Baghdad and then to impose a new leadership on the country would be no solution at all.

Lost battle

The cold fact is that Saddam Hussein has lost the "mother of all battles" without it ever approaching his promised climax and without it engulfing the rest of the Arab world. It may take a little while for the Iraqis themselves to realise this. But if the patent distress of the unfortunate soldiers seen surrendering in droves yesterday is mirrored among ordinary Iraqis, whom Saddam Hussein has ruled by fear for so long, then his hold on the reins of power should be growing ever more tenuous. If it misfires elements in the military, his own Takriti clan or the Ba'ath party to take matters into their own hands, then

so be it. There can be no guarantee that the next regime will be benevolent but it can hardly be worse than Mr Saddam's. But his resilience at home should not be underestimated. A working assumption, until proved false, must be that he will cling to power much weakened, as President Nasser of Egypt was after his defeat in the 1967 war against Israel. Mr Saddam must be given no room to flourish again. This implies a continuation of sanctions, with exceptions made only for humanitarian assistance, and, regardless of who is president, no more arms sales to Iraq (and much tighter control on sales to everyone else in the region).

Iraqi humiliation

However, there may come a point when too much can be asked of a defeated and humiliated Iraq. Two of the UN resolutions address the questions of Iraqi reparations and war crimes. If even a quarter of the stories concerning the rape of Kuwait are true, it will be difficult to resist demands for recompense and justice while Mr Saddam remains in power. It is another incentive for the Iraqis to remove him. However, the lesson of history is that such demands should be tempered with political understanding.

President Bush, the leader of the coalition, will also find that his political responsibilities as victor are no less than they have been since Iraq invaded Kuwait. On the one hand, he has sometimes allowed himself to appear obsessed with the need to humiliate Saddam Hussein personally. His revulsion will have been increased by Monday night's Scud attack on the US barracks in Saudi Arabia, taking more American lives than have apparently been lost in the battle so far. On the other, he built a 28-member coalition against Iraq, sustained it, and took it to war with considerable political skill. He has managed to keep Moscow more or less on side, no easy task given the turmoil in President Gorbachev's government, by acknowledging the legitimate Soviet interests in the Middle East.

On Saturday, in effect, Mr Bush handed over control to General Schwarzkopf, who is doing the job he was trained for with great professionalism. The time is near when he must take it back.

Running risk with ECGD

THE SQUABBLE between exporters and the government over the future of the Export Credits Guarantee Department must be settled soon. Otherwise uncertainty will drive much of the UK capital goods industry offshore, whether or not the government cares.

The latest hostilities concern premium increases for export credit cover under the portfolio management system (PMS), which is designed to impose discipline on ECGD's finances. But it has raised again the question of how far the taxpayer should finance export credit insurance. The government must stop prevaricating and state what its policy is.

ECGD should not have open-ended access to taxpayers' funds. But its long-term business would not be viable without government backing. In setting disciplines, the government should look beyond the recent history of losses, explained by the debt crisis. It should seek more for export credit insurance to be a proactive regime demanded by the Treasury, which would lead to ECGD's eventual closure.

Exporters need credit insurance if they are to compete with their counterparts abroad. On big projects, the risk of non-payment is too great to go uninsured. Since the private insurance market finds the risks too hard to swallow, all industrial countries provide official export credit support. Only a government which cared not a whit for its capital goods industry would refuse.

Excessive price

The costs can be high. Net claim payments by ECGD currently amount to some \$900m a year. The Treasury believes this is an excessive price for support of some \$2bn of capital goods exports. Yet most of the claims arise from business underwritten when ECGD's criteria were laxer than today. They are the product of a debt crisis that was exceptional and should not determine policy.

Like any insurance concern, ECGD needs a broad spread of risk. Its problem, one it shares with counterparts abroad, is the lumpy flow of project exports. Some 40 per cent of its

business is conducted in six markets: China, South Africa, India, Indonesia, the Soviet Union and Hong Kong.

New disciplines

The PMS seeks to contain ECGD costs by introducing new actuarial disciplines. Premiums are to be tailored more closely to risk. Cover availability is to be restricted in markets where ECGD is heavily exposed. There is a danger of overkill because premium levels reflect the lack of diversification of the portfolio, as well as the degree of risk.

South Africa continued paying export credit debt even after it rescheduled commercial bank loans. Its track record is good, but the PMS calls for an increase in ECGD premiums when, at about 8 per cent, they are already high compared with those of other agencies. France's Coface charges less than 3 per cent. Because British companies have to absorb this difference in their price, they have to be doubly efficient to succeed.

ECGD's link with Alstom is one example of how the uneven playing field is already driving project procurement overseas. To stop this trend, credit insurance must remain available in good, though over-exposed, markets, but at premiums that exporters can still afford.

One answer would be to make ECGD behave like other insurance companies and lay off part of its risk elsewhere. Risk could be swapped with other export credit agencies. The European Community could establish its own export credit reinsurance facility.

A reinsurance market for export credit would only develop around economic premiums. Otherwise, it would immediately run up against a free-rider problem. Such a market in turn would help force economic premiums on to the primary market, too. The difference between ECGD's charges and those of other agencies would narrow. Exporters would then have fewer grounds for complaining that the government was doing its best to drive them out of business.

Defeat and victory in the Arab world are, like beauty, in the eye of the beholder. Yet Iraqis could have had few illusions left yesterday as they listened to President Saddam Hussein's rambling speech ordering his troops to withdraw from Kuwait against the background noise of yet another allied air raid on Baghdad.

The troops in Kuwait and the Iraqi population in general may have stood 40 days and 40 nights of withering bombardment with stoicism. The Iraqi leader can also claim that a third world nation of 17m inhabitants has, albeit temporarily, stood up to a 28-nation coalition, infinitely superior in military hardware, funds and technology.

Nevertheless, it is hard to see how Mr Saddam can tap the remaining wells of national pride when his military machine, the largest in the Middle East, has been routed, and when the entire modern infrastructure of Iraq is in ruins.

The analogies trotted out about Gamal Abdul Nasser, the Egyptian leader, converting military defeat into political victory, do not now apply if they ever did. Never before in the Middle East has a country's economy been so systematically incapacitated. No amount of propaganda from the battlefield can conceal from Iraqis that the vital bridges over the Tigris and Euphrates are down, power supplies are dead, factories not working and oil exports, the lynchpin of their wealth, paralysed.

Both after Suez in 1956 and after the Six-Day war in 1967, Nasser could rely on his fellow Arab leaders and the Arab masses for moral and material support. He also found a willing supplier of weaponry and diplomatic patronage in the Soviet Union.

In contrast, Mr Saddam finds himself lonely, encircled and penniless. The Soviet Union can at best offer a diplomatic hand, but it has lost the ability to embrace client states and determine events in the region.

Oil experts believe it would take Iraq a good 15 years' oil earnings just to cover the reparations payments of over \$65bn that Kuwait has suggested. If reparations were to be waived, this would still leave the cost of reconstruction in Iraq conservatively estimated to exceed \$100bn.

Nor is Mr Saddam likely to be able to export the oil that might set the wheels of his economy turning again. Iraq depends on pipelines through Saudi Arabia and Turkey to export more than 90 per cent of its oil. It is thus a prisoner of the goodwill of its neighbours, as demonstrated by the six-month-old economic embargo and Mr Saddam has irrevocably alienated the rich and powerful in the Arab world by his annexation and rape of Kuwait. The Gulf states are owed \$30bn of Iraq's \$75bn foreign

The US and its allies are on the brink of an overwhelming military victory — and President George Bush is in no mood to offer President Saddam Hussein a last-minute way out. He promised yesterday that the allies would "continue to prosecute the war with undiminished intensity" with a view to preventing Mr Saddam from saving "the remnants of power and control in the Middle East".

Having come so far, Mr Bush wants to press home the allied advantage as the Iraqi army is trapped in Kuwait and southern Iraq, not just to nail down the military victory, but to secure maximum leverage for post-war negotiations over the region's future. At stake over the coming days is the nature of Mr Saddam's defeat.

The fighting has broadened allied objectives beyond those of the 12 United Nations resolutions and the terms of Mr Bush's ultimatum of last Friday. While those are still formally on the table, they would have to be accepted by Mr Saddam himself and be accompanied by an organised pull-out. But in practice the US and its

If he stays at the helm, the Iraqi leader will be vulnerable to revolt, says Robert Graham

A disaster of Saddam's making



debts. Arab friends and sympathisers are either weak, like Jordan and Yemen, or distant and ineffectual, like the Maghreb countries and Sudan.

Arguably, the Gulf conflict marks a watershed in Middle East politics where national self-interest finally puts to rest the ghost of Nasser's pan-Arabism. Moslems are fighting Moslems to prevent the annexation of a sovereign state; western forces have been summoned to the land of the *haji* by the guardian of the holy places; Ba'athist Syria has sided with the US

against Ba'athist Iraq. In Iraq itself, Mr Saddam ditched 20 years of the Ba'ath party's secular socialist jargon and shrouded every action and imprecation in opportunistic Islamic language. And Israel has refused to be provoked by an Arab attack for the first time since its creation.

Mr Saddam's most enthusiastic supporters have been the Palestinians or the underprivileged whose backing for Baghdad has been no more than a hopeless cry of protest against their own predicament. But since his first

offer to withdraw from Kuwait on February 15, the Iraqi leader has dropped all insistence on a formal linkage with resolving the Palestine problem. He may claim some perverse credit for putting Palestine back on Washington's Middle East agenda; but his dream of riding a white charger into Jerusalem has vanished.

The unfolding disaster has been entirely of Mr Saddam's making. It was his desperate enterprise to incorporate Kuwait as Iraq's 19th province last August; his decision to ignore

United Nations Security Council resolutions, and his decision to spurn all diplomatic means to extricate himself. As countless among the growing army of Iraqi prisoners have told their captors: "This was Saddam's war."

For a dictator who has allowed full-length portraits to be hung in the capital, who has consciously fostered the glorification of his name on every street and factory, he cannot easily wriggle away from responsibility for the aggression, nor for the mistaken conduct of the war. He possessed no formal military training but appeared to take all the strategic decisions as commander-in-chief. He got away with the untold suffering wrought by the eight-year war with Iran from 1980 to 1988 by contriving to package defeat as victory. The withdrawal from Kuwait punctures the carefully constructed image of invincibility and omnipotence so essential to rulers who confuse fear with respect.

In 11 years of power, Mr Saddam has constructed a brutally efficient regime, quashing the disparate elements in Iraqi society. Secretive and suspicious from his experience of fighting his way up the political ladder from the provincial town of Tikrit, Mr Saddam has relied on a tight circle of relatives and cronies.

Beyond this, he has co-opted a vast army of agents, the apparatus of the Ba'ath party and the armed forces to support a highly centralised pyramid of power. With little clear ideology other than self-aggrandisement and a keen sense of survival, Mr Saddam hopes this group of Iraqis will feel his interests are best served by his remaining in office. He also knows that the opposition in exile is diffuse.

Recent Iraqi history suggests any revolt will come from within the inner circle, or possibly from among his military commanders. But the regime has become more brittle and is now vulnerable to popular pressures not least the need to get the country moving after six weeks of near paralysis. Change from within would be more stable than if he were to be overthrown by an uncontrolled popular movement, which would bring to the fore all Iraq's fustianous tendencies.

The allies are out to provoke his downfall by forcing a surrender wholly on their terms; thus although Mr Saddam's successor may be from the same clique, they have indicated that they would contemplate helping to get the country back on its feet. Overt allied interference in Iraq's domestic affairs could still furnish him with a cause — especially if the allies were to occupy parts of Iraq or take the war to the gates of Baghdad. One thing is certain: if he manages to stay at the helm, he will be a shadow of his former self, depending upon the will of his neighbours and unable to intimidate them.

end, destroying these forces would not leave Iraq without an army since it has substantial forces deployed along its Syrian, Turkish and Iranian borders. Iraq would retain considerable defensive capabilities but would no longer have the fourth-largest army in the world, capable of threatening its neighbours.

Many problems remain in ending the war. Even if Iraqi troops in Kuwait and southern Iraq are forced to surrender, will Iraq stop fighting? Will it come to terms on the release of all prisoners of war and third-country detainees? Is there a danger, in the current triumphalist mood in Washington, of Mr Bush ignoring the impact of continued fighting on Arab and European opinion?

Although the allies have made no secret of the fact that they would be delighted if Mr Saddam lost power, there is no sign of an expansion of war aims to include the elimination or capture of the Iraqi leader. The hope is that Mr Saddam will be so publicly humiliated that his power will be broken and his own military and people incited to oust him.

Bush keeps up the pressure

Peter Riddell on the uncompromising mood in Washington

allies are in no hurry for him to comply. They believe the cleanest end to the war would be if the Iraqi lines of retreat were cut off and the surrendering forces deprived of their arms and equipment.

In that respect, Moscow's diplomatic manoeuvrings in the past few days have become an irrelevant sideshow. Mr Bush yesterday did not even make the usual formal reference to Soviet efforts. The implicit message is that Washington is setting the terms since it has all the cards with more than 530,000 troops in the region. Those doing the fighting define the end of the war.

Over the weekend Mr James Baker, the US secretary of state, carefully drew a distinction between allied aims — unconditional and immediate Iraqi withdrawal and restoration of

the legitimate Kuwaiti government — and political aims set forth in the UN resolutions. The latter include restoration of peace and stability in the Gulf, defined by Mr Baker as ranging from the containment of Mr Saddam, if he remains in power, to regional security arrangements and economic reconstruction. The formal war aims are about to be achieved, but there is a long way to go to secure the peace.

Mr Bush's curt dismissal yesterday of Mr Saddam's statements as "trying to claim victory in the midst of a rout" reflected these varying aims.

First, Baghdad's order to Iraqi troops in Kuwait to withdraw does not indicate compliance with all 12 UN resolutions. Mr Bush argued there was no evidence of "remorse for Iraq's aggression, nor any indication that Saddam is prepared to accept the

responsibility for the awful consequences of that aggression".

Second, one of the goals of the military campaign has been to destroy as much as possible of the Iraqi army, and especially its formidable array of tanks, artillery, and chemical weapons. The allied bombing campaign since mid-January has eliminated much of this, but the ground offensive is intended to complete the job.

A key goal has been to take apart the Republican Guard units which are the backbone of Mr Saddam's regime. Many of these units are in southern Iraq and Mr Bush yesterday referred, significantly, to the need for forces both "those occupying Kuwait and those supporting the occupation", to lay down their arms.

As Mr Dick Cheney, the US defence secretary, pointed out at the week-

A Saudi with a mission

■ If His Royal Highness Prince Alwaleed bin Talal, one of several thousand Saudi princes, can afford to bail out Citicorp, the biggest bank in America, how come he is not ranked up there with the world's other billionaires?

The answer is simple enough. A couple of years ago the 35-year-old prince rang up Forbes, the US business magazine, and asked to be included in its famous annual list of the world's wealthiest. "This guy really wanted to be on the list," says Harry Seneker, Forbes' billionaire expert. "He wanted it to be known that he had plenty of cash and was ready to deal."

However, even Forbes' has its principles. Unlike many members of the Saudi royal family, Prince Alwaleed's problem is that he is a bit too close to the top of the Saudi royal tree for Forbes' liking. "If we included this guy we would have had to include every other goddam royal in the world," says Seneker, whose biggest headache is checking out who's who in Middle Eastern money.

To be fair, US-educated Prince Alwaleed is not Saudi Arabia's answer to Donald Trump. He has not yet acquired the reputation of more flamboyant Saudi tycoons like Adnan Khashoggi or Ghayth Pharaon. But he is very different from most young Saudi princes.

For a start his father, Prince Talal bin Abdul Aziz, a son of Saudi Arabia's founder, was one of the earliest angry young men in the Kingdom. His son has inherited some of this radicalism. Meetings tend to be unusually short, and Prince Alwaleed makes no secret of his wish to be seriously rich. Citicorp now says the prince was "only kidding" when he once said he would love to be a corporate raider. But he is being advised by a Washington firm of corporate stake build-

ers, and he just may have his eye on a plum Citicorp investment — its 40 per cent stake in Saudi American Bank.

What better way for Citicorp to repay the Prince's kindness than agreeing to swap this stake for the Prince's shares when his own problems are behind it?

Savings news
■ NatWest announced yesterday a rather startling piece of news. It had managed to save 4,000 jobs in the UK last year and hoped to save a total of 15,000 jobs over the period 1989-1993. Marvellous news, indeed, for those who thought they were waiting outside the bank's departure lounge.

But, alas, the announcement was not all it seemed. NatWest was using the verb *save* in a somewhat elastic sense. What it actually meant to say was that it had lopped off 4,000 jobs last year.

This could explain why banks, when they talk about saving money, actually mean the complete opposite.

Brief talk

■ Candid confessions about the technical illiteracy of politicians enlivened yesterday's annual lunch of the Parliamentary and Scientific Committee in London.

President Sir Ian Lloyd, chairman of the Commons select committee for science and technology, introduced his guest, John Gibbons, the director of the US Office of Technology Assessment, by noting that the commons is not a numerate organisation. Gibbons, equally sceptical about his masters, responded with a droll reference to the classic schoolboy essay on Socrates. "He was a great man. He gave advice to others. He was poisoned."

OBSERVER



"Our job is to help focus and elevate the political debate — not to solve the political debate," said Gibbons. In serving politicians his office was "careful about how much mathematics is used". President Eisenhower had been shocked to learn that half the US electorate was of below-average intelligence.

Brevity was another absolute imperative. Gibbons quoted the British mathematician and author Lewis Carroll as saying "there is nothing so worthless as a map laid out on 1:1 scale". It applies to business people just as well.

Tax barrier

■ What would happen to 10 Downing Street or the White House if the US and UK tax authorities were as tightfisted as the Norwegians?

Norway's prime ministers normally live in their own homes instead of moving into the official residence, because they are taxed so heavily on the benefit. Hence the semi-palatial pile in Oslo's Teunungs Allé, built in the 1930s, has lain empty for years.

The dust sheets are about to be lifted, however, for Foreign Minister Thorvald Stoltenberg. He is moving in because he let his own house when he moved to his previous job in Geneva as UN high commissioner for refugees. All the same, unless the tax authorities relent, his tenure is likely to be short.

Upgrade

■ The North British Hotel, that wonderful grimy old hulk at the end of Princes Street in Edinburgh, has disappeared. Yesterday, after more than two years of stone cleaning, redecoration and general upgrading it reopened as the Balmoral.

"It isn't the best time to be opening a five-star hotel," says Peter Tyrrie, who paid £10m and has spent another £23m refurbishing it. "But it is a long term project."

Tyrrie first tried to realise his dream for an Edinburgh-based luxury international hotel group in the early 1980s with Gleneagles Hotels before that company was taken over. After a stint running Hong Kong's Mandarin, he returned to the UK. So far Balmoral owns just one other hotel, the Old Swan at Harrogate, but Tyrrie has big ambitions.

The North British name has gone because "it means nothing to people, especially outside Scotland, whereas Balmoral exudes Scottishness, quality and royalty." Not everyone agrees. Peter de Vink, the not-so-young Edinburgh financier, says it should have been renamed the *New Balmoral*.

"Then we could go on calling it NB just as we did before."

Confused

■ Overheard in a New York literary salon. What do you get when you cross a Mafia mobster with a deconstructionist?

An offer you cannot understand.

LONE RANGERS ARE GREAT IN THE MOVIES. BUT NOT IN A BANK.

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مؤسسة التمويل الدولية

Diplomatic failure exacts a price

tional war aim has been signaled more frankly by some of the main protagonists. A post-war settlement would be "a heck of a lot easier" to achieve if Mr Saddam Hussein were no longer in power in Iraq, according to Mr James Baker, the US secretary of state.

War, of course, has its own dynamic. Diplomatic solutions conceivable only a few months, days or hours earlier, become entirely unrealistic as one side or the other secures the dominant military position on the ground. That does not mean, however, that such solutions would never have been runners at all if they had been put forward earlier or in other circumstances. The conditions acceptable to the US and its allies once the decision to launch a ground battle had been made, let alone after their forces had penetrated deep into Kuwait and Iraq and had begun to encircle the elite Republican Guard, were bound to be higher than those they might have agreed to earlier in the crisis.

for the coalition's hidden agenda of war aims to become a practical agenda and it is certain that, for many months since the Iraqi invasion of Kuwait on August 2 last year,

established the US as the undisputed number one super-power and is likely to upset the regional balance in the Gulf. At the beginning of the war, and in spite of the diminished



The Soviet peace proposals could have been a basis for a compromise by James Baker and Tariq Aziz at Geneva

Thus, last week's 11th-hour Soviet peace plan, proposing the withdrawal of Iraqi forces from Kuwait within 21 days — accepted by Mr Tariq Aziz, the Iraqi foreign minister, but rejected by the United States — might well have formed the basis of a compromise at the time of the abortive Geneva meeting between Mr Baker and Mr Aziz in early January. At that moment, the careful decision to launch a military attack on Iraq, with its consequences, still remained to be taken. More than a month later, following the relentless allied air bombardment of Iraqi forces, cities and infrastructure and the massive build-up for a ground war, President Bush could no longer seriously contemplate a resolution giving Mr Saddam Hussein even a slim hope of withdrawal to some of his lesser military forces.

Yet it has taken a long time

a real desire to solve the crisis by diplomatic means existed on the allied side. But the practice of diplomacy requires much greater flexibility and a much better sense of timing than Mr Bush and Mr Gorbachev demonstrated. Until very recently, he never gave the slightest impression that he was prepared to accede to UN demands on the central issue of the whole conflict, an Iraqi withdrawal from Kuwait and the restoration of its government. His concessions always came much later, at a time when they had already been largely overtaken by events.

Any euphoria on the part of the international community at having comprehensively defeated President Saddam Hussein by military force should be tempered by the realization that a price will have to be paid for this failure of diplomacy. The coalition's impending military victory has

power of the Soviet Union as the result of its internal political and economic problems and its withdrawal from eastern Europe, Moscow was still a more or less equal superpower, and it is not clear how far he has in his efforts to build his anti-Iraq international coalition.

Since last weekend, however, when it spurned Mr Mikhail Gorbachev's peace plan, the US has shown that it is prepared to ride roughshod even over the Soviet Union and, in the light of this, to impose its will on Americans. For it is true that both Mr Bush and Mr Gorbachev have emphasised that neither their personal relations nor the desires of their governments to co-operate closely with each other have been undermined by the whole affair. But these protestations of friendship could hardly be of any kind of international and domestic political climate. That ideal climate, briefly pres-

ent at the height of the US-Soviet love-in last year, no longer exists. Indeed, yesterday Mr Gorbachev publicly admitted that US-Soviet relations were still "fragile".

A weakened Mr. Gorbachev, who has been heavily criticised by conservative political and military leaders in the Soviet Union for his abandonment of Iraq and support of the US quelling the Gulf conflict, will not be an easy partner to deal with in the negotiations over the much-heralded regional peace settlement. It would be surprising, in any case, if Mr. Gorbachev did not share the widespread Soviet suspicions about the motives behind the US military intervention in the Gulf, namely that Washington wants to establish a permanent military foothold in the region.

Mr. Gorbachev, it is certain, will try to compensate for his loss of prestige and authority by huge domestic problems he is facing, by underlining his stature as an international statesman and defender of Soviet interests abroad. He will doubtless also stress the need to bring any US and other western military presence in the Gulf, within only a few hundred miles of the Soviet Union's southern borders, will be strictly limited in time and

Anxious for the Soviet Union to re-establish itself as one of the chief players in the Middle East, he can also be expected to capitalise on frustrated public opinion throughout the Arab world by insisting that a settlement of the Palestinian problem should be given a high priority in any Middle East peace conferences and negotiations. Many of the US's coalition partners, including perhaps even Britain, would back such efforts, which would be

A weakened Mr Gorbachev will not be an easy partner to deal with in making the peace

hotly opposed by Washington's main regional ally, Israel, and thus, probably, by the US

Having won a resounding military victory, the US thus faces an even tougher diplomatic task to work out a regional settlement, during which it could lose many of the Arab friends that it gained in the Gulf crisis. It is by no means clear that its preparations to win this equally important battle have been anything like as thorough as those which have brought it success on the military front.

Why the Tecs need new objectives

Unemployment in Britain is rising. Yet at the same time training programmes for the unemployed are under threat.

Many of the government's employer-led training bodies, the Training and Enterprise Councils (Tecs), would prefer to train the employed rather than the unemployed. This attitude is understandable, but is it right?

Effects of a package	
Nos. on benefit	500,000
Savings	£4bn
Cost	£1.5bn

I do not think so. Let us start with a common view among employers. This is that employed people are better "training material" than the unemployed. They have shown that they can hold down jobs, and so there is a good chance they can benefit from training. Any spare public money for training would best go towards

But this overlooks one central point. An employee is already producing something. When he is trained, he produces more. But an unemployed person is producing nothing. If training him helps him to get a job, it raises his

For example, training an employed worker may raise his productivity from, say, £300 to £350 a week - a yield of £50. But training an unemployed person, even for a £200-a-week

It may be said that this argument is exaggerated, since most unemployed people eventually find work anyway. But that is irrelevant. For most unemployed people are operating in markets where there is excess supply of labour (due to some form of wage rigidity). So if one person gets a job, someone else fails to do so. The solution is to move people out of those markets, and into markets where there is excess demand.

When people are removed from a market where there is excess supply, output there remains unchanged, while at the same time output rises in the excess-demand market to which they are transferred. The total change is the whole of what they produce in the market with excess demand (£200 in our example).

money wasted on "passive" benefits that support people in unproductive idleness.

If Britain were to implement the New Framework, it could like Sweden, eliminate long-term unemployment, and reduce its total expenditure on the unemployed. Two main steps are needed.

First, more and better training - focused on those who have been unemployed for between six and 12 months. Sweden spends twice as much per trainee as Britain does, and employers there queue for experienced workers who have been retrained for the industries of the future.

Second, Britain needs much better Job Centres, with the resources to buy training or, in the last resort, to offer subsidies to private and public employers so as to ensure that no unemployed person rots in idleness for over a year. The accompanying table shows my calculations of the results of one feasible programme.

But a shift of this kind will only happen if the right people are responsible for the right things. Above all, the people who pay the benefits must be the same people as those who spend the money available for "active" help. No one who does not bear the cost of benefits

So the first step is for expenditure on benefits to be transferred to the Department of Employment. The next step is at the local level. Job Centres (which will pay the benefits) must also have the resources to buy training and jobs. So either the Tecs must be put in charge of the Job Centres as well as training, or the money for training must be given to the Job Centres - which could then spend it as they chose.

The Tecs do not have the right incentives. Either they must be given those incentives, or others must be given the power to fight unemployment. **Labour market policies for the 1990s. OECD*
The author is director of the Centre for Economic Performance at the London School of Economics.

LETTERS

Sir Bob injects urgency into rail plans

From Mr David Gillan.
Sir, It is heartening that, only four months after taking over as chairman of British Rail, Sir Bob Reid is already injecting a new sense of urgency into the railway's programme of modernisation. Sir Bob seeks overhaul in financing, February 23).

For manufacturing industry, which has geared up to meet the re-equipment needs identified by British Rail's business plan in 1980, the last 18 months have been characterised by delays in invitations to tender.

Precious time in the vital re-equipment programme of Network South-East, for instance, has been lost as projects are subjected to repeated finan-

cial analysis in an attempt to secure a top ranking within the limited investment available.

For example, only 580 Network commuter trains are on order, while the issue of tenders for a further 500 awaits government approval.

According to the original plans, all these trains should have been delivered by mid-1993 which is clearly now impossible.

In addition, industry is waiting to tender for the trains urgently needed to relieve overcrowding on the Kent Coast and Fenchurch Street services.

But the railway industry has the products and capacity to meet Sir Bob's priorities

as fast as he can find the funds. With our new technology, such as electronic signalling and the Networker train, generating much higher returns on investment than the current fleet of rolling stock, we are removing artificial restrictions on British Rail's commercial borrowing powers is strong. Three weeks ago, BREX - our largest rolling stock manufacturer, announced a £200m overdraft at a time when the need for new trains is clear.

I hope Sir Bob's remarks do not fall on deaf or worse, unlistening, ears.

David Gillan,
director
Railway Industry Association,
6 Buckingham Gate, SW1

Industry right to call for lower exchange rate

From Mr Julian Callow.

Sir, Samuel Brittan is somewhat selective in the way he uses calculations of sterling's sterling's real rate against the D-Mark (Economic Viewpoint, February 14).

He bases much of his argument on the real exchange rate of sterling against the D-Mark. Sterling's real exchange rate should be calculated against a basket of currencies of Britain's trading partners: the effective real rate should be considered.

This is particularly important for the UK since only about 60 per cent of its exports

Consistency in argument please

From Mr John Duffield,
35, Herbage St, Epsingham
(Letters: "Commission disclosure"
February '23) would
explain why the Consumers
Association seemed to need life
offices alone to disclose costs.
For consistency, I would
expect her to argue that when I
buy a washing machine, I
should be told how much the
retailer gets for selling me each
make — this being the exact
amount of the broker's com-
mission — and what the differ-
ence is between the cost of each
machine and its scrap metal
value — this being the exact
equivalent of total charges.
John Duffield,
35, Herbage St, Epsingham,
Loughston, Grose,
Leather.

Defending public sector child care

From Mrs. Hermione Parker,
Sir, I would like to develop Joe Rogaly's comments (Politics Today, February 15) on child care. Does he, I wonder, draw a distinction between day care and day nursery? If so, what would be the difference? If not, then day care, day nurseries, and vouchers financed by employers as part of an employment contract?

Vouchers financed by government would count, presumably, as public expenditure, and the cost would be borne by the taxpayer. It would be the expense of increases in child benefit. So I agree with David Willetts that this is not a good idea.

However, vouchers financed by employers are a different matter. Making them tax-free, within fixed limits, government would enable more mothers to take paid work. This would save expenditure

sector child care

on means-tested family benefits, increased tax revenues, and encourage output. It would also have a powerful impact on family poverty. Neither child benefit nor basic income can be paid for by taxation, but they can be platforms for self-reliance through paid work.

Public sector involvement in child care should not be written off. The solution could be a mixture of public and private sector involvement and regulation, with central government providing the tax relief, local government the premises, local communities the voluntary help, and businesses funding volunteers or workplaces, nurseries, according to their needs.

Hermione Parker,
Nettelfield,
Peabright,
Surrey.

House of Fraser answers reports on Harrods Bank

From Mr Michael Cole.
Sir, Three reports about Harolds Bank Ltd appeared prominently in the Financial Times of February 19 1991. They referred to allegations made by Mr Graham Jones in two letters written in confidence to the governor of the Bank of England.
Mr Jones was the chief financial officer of this company until January 1990 when he was dismissed. Allow me to address the allegations with facts.
It is not true that Mr Al Fayed takes a direct interest in the management of the bank.
Mr Alex Wisbart, the general

manager of the bank, who is mentioned in the letters, said Mr Jones's allegation was "utter nonsense".

I have good reason to believe that another former director of Harrods Bank, also cited by Mr Jones, shares Mr Wishart's view.

Mr Plender took the opportunity of repeating matter contained in the DTI report into the takeover of House of Fraser but did not find space for the equally important point that the methods and findings of the inspectors are presently the subject of an appeal by this company to the European Court of Human Rights, an

appeal which we have every reason to believe will be successful.

It is almost six years since Harrods Bank was acquired by this company and in that time no complaint has been levelled that the interests of its depositors have been prejudiced in any way whatsoever. This speaks louder than any words, particularly words contained in "confidential" correspondence from such a source as Mr Jones.

Michael Cole,
media director,
House of Fraser Holdings,
14 South Street,
W1

the special condition of the German economy. The UK's trade with Europe and its other trading partners will suffer badly if the UK continues to adhere to a central parity of DM2.95 within the ERM.

The government should acknowledge that it erred over the rate at which it took sterling into the ERM and persuade the Italians and the French that it is time for a D-Mark revaluation within the ERM. Otherwise Europe's economies face a miserable decade.

Julian Callow,
international economist,
Chase Manhattan Bank,
Coleman St., EC2

Trinkaus & Burkhardt – capital market activities

1990: Milestones on the way up.

			Landeskreditbank Baden-Württemberg Karlsruhe DM 1,000,000,000 Floating Rate Notes of 1990/2000
		Baden-Württemberg DM 300,000,000 Floating Rate Landesobligationen of 1990/1996	The Council of Europe Resettlement Fund for National Refugees and Over-Population in Europe Strasbourg, France DM 200,000,000 Floating Rate Notes of 1990/2000 II
	Landeskreditbank Baden-Württemberg Karlsruhe DM 300,000,000 Floating Rate Notes of 1990/2000	LfA Bayerische Landesanstalt für Aufbaufinanzierung München DM 100,000,000 Floating Rate Notes of 1990/1998	Lavoro Bank Overseas N.V. Curacao, Netherlands Antilles DM 300,000,000 Floating Rate Notes of 1990/1995
WGGZ International Finance N.V. Amsterdam, The Netherlands DM 150,000,000 8% Bonds of 1990/1992	BANQUE INDOSUEZ Paris DM 200,000,000 Subordinated Floating Rate Notes of 1990/2000	ASLK-CGER Brussels DM 70,000,000 Subordinated Floating Rate Notes of 1990/2001 - Private Placement -	Landeskreditbank Baden-Württemberg Karlsruhe DM 200,000,000 Floating Rate Notes of 1990/2000
Landeskreditbank Baden-Württemberg Karlsruhe DM 300,000,000 Floating Rate Notes of 1990/1997	The Council of Europe Resettlement Fund for National Refugees and Over Population in Europe Strasbourg, France DM 200,000,000 Floating Rate Notes of 1990/2000	LfA Bayerische Landesanstalt für Aufbaufinanzierung München DM 200,000,000 Subordinated Floating Rate Notes of 1990/1996	Amro Bank Amsterdam-Rotterdam Bank N.V. Amstelveen, The Netherlands DM 500,000,000 Subordinated Floating Rate Notes of 1990/2005

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THE FINANCIAL TIMES LIMITED 1991 Wednesday February 27 1991

FERGUSON ENTERPRISES
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The name behind the name

INSIDE GrandMet appoints an heir-apparent

Ian Martin (left), head of Grand Metropolitan's food operations, yesterday became deputy group chief executive and heir-apparent to Sir Allen Sheppard, chairman and chief executive of the UK drinks, food, and retailing group. Sir Allen, 58, announced the appointment at the company's annual meeting, when he also reported that pre-tax profits for the first four months of the current year were in line with last year's sterling results. *Philip Rawstone reports. Page 28*

Fidelity aims at Asia
"We expect to duplicate in Asia what we did in the UK, where in 10 years we became number one in sales of unit trusts." So says Geoffrey Mansfield, Hong Kong-based regional managing director of Fidelity Investments, the US and Bermuda-based fund management company. This ambition means matching Jardine Fleming, the regional market leader and overtaking the Hongkong Bank's Wardley offshoot. *John Elliott reports. Back page*

White Hot Lane
The Spurs defence held firm. And the 3½-hour annual meeting, at Tottenham Hotspur's White Hart Lane ground in north London, proved to be a tough fixture for shareholders. They failed to get a clear view of either the future, in the form of a financial review, or the past, notably the drain on footballing profits caused by ill-fated forays into textile businesses. *Jane Fuller reports. Page 26*

Focus on Philips' future
It will be the largest loss ever unveiled by a company in the Netherlands. And when Philips, the Dutch electronics group, makes its announcement tomorrow the news will underscore the sharp reversal in the group's fortunes. Attention, however, has already begun to swing away from the much-discussed 1990 figures to focus on the future. Ronald van de Krol looks at the group's reshaping process. *Page 21*

Grounds for concern
Two centuries of Australian land degradation - in the form of deforestation, soil erosion, and overproduction - have taken their toll on the landscape. The root of the problem may be cultural as early farmers tried to recreate an idyllic English landscape in a totally unsuitable environment. Now attempts are under way to reverse some of the damage as conservationists battle to change entrenched attitudes to farming. *Page 30*

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Chief price changes yesterday

FRANKFURT (DM)		PARIS (FFr)	
Alcoa	558 + 8	BASF	550 + 24
Nippon Steel	610 + 10	Bentley & Co	4500 + 40
SAB	705 + 10	Bois	1975 + 44
Alcoa Ind	1070 + 10	Chassis	1125 + 41
Delmar Bank	1080 + 10	Encom	795 + 33
Reichardt	1080 + 10	Encom	795 + 33
NEW YORK (\$)		TOKYO (¥)	
Alcoa	72½ + 1	IBP	1270 + 70
Bois	4½ + 1	Nippon Steel	871 + 15
General Motors	4½ + 1	Toyota	871 + 15
IBM	81½ + 1	Toyota	871 + 15
Intel	81½ + 1	Toyota	871 + 15
Microsoft	81½ + 1	Toyota	871 + 15
Oracle	81½ + 1	Toyota	871 + 15
Unisys	81½ + 1	Toyota	871 + 15
US Air	140½ + 4	Toyota	871 + 15

London (Pence)

Alcoa	120 + 8	Bois	503 + 20
Bois	705 + 10	Chassis	194 + 11
Bois	50 + 10	Chassis	194 + 11
Bois	50 + 10	Chassis	194 + 11
Bois	50 + 10	Chassis	194 + 11
Bois	50 + 10	Chassis	194 + 11
Bois	50 + 10	Chassis	194 + 11
Bois	50 + 10	Chassis	194 + 11
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Bois	50 + 10	Chassis	194 + 11

TCE losses quadruple to FFr680m

By William Dawkins in Paris
THOMSON Consumer Electronics (TCE), the leading French television producer, more than quadrupled its net losses to FFr680m (\$135m) last year. The state-owned group was hit by the fall in the dollar, a plunge in US demand and a price war. TCE, which is developing High Definition Television (HDTV) in partnership with Philips, the troubled Dutch group, yesterday announced a FFr1.2bn provision for a four-year cost-cutting drive, including redundancies, which aims to cut its annual operating costs by FFr900m. On top of this, TCE has made an extra FFr200m provision for part of the loss of sales of decoders in the UK, following last year's takeover of British Satellite Broadcasting by Sky Television. The decoders were to have been used to allow UK televisions to receive the D-Mac improved television standard used by BS2, but abandoned on the takeover, in favour of the existing standard used by Sky. Operating profits, before an unchanged FFr1.4bn interest charge, fell from FFr1.15bn in 1989 to FFr76m last year. Turnover slipped from FFr3.3bn to FFr3.2bn. Of that, FFr3.1bn is due to the fall of the dollar, in which TCE makes half its sales, with the rest coming from a 4 to 5 per cent decline in US demand for televisions, by far TCE's most important product. TCE was unable to take full advantage of a rise in demand for televisions from eastern Germany because of stock shortages, but managed to increase sales in France and Italy. It was also hit by a price war in VHS compact and full size camcorders group sparked off by the aggressive launch of the smaller 8 millimetre camcorders by Sony, the Japanese electronics company, early in the year. VHS camcorder prices fell 30 per cent in Europe and 10 per cent in the US, spreading also to video cassette players, said Mr Ronald Blunden, a senior vice-president. The group launched its own range of 8 millimetre camcorders last autumn, which has produced an improvement in sales and margins. Overall, this year has got off to an "extremely tough" start, said Mr Blunden. The group was hoping that a quick end to the Gulf war will help rekindle consumer electronics sales. It unveiled two weeks ago a FFr35,000 enhanced quality set, offering intermediate quality between today's televisions and full HDTV. After delaying the launch because of the economic slowdown, TCE warned that its finances were "seriously unbalanced" by debts of FFr10bn. This underlines the dilemma facing the French government, which is due next week to decide how to share between different ministries this year's FFr2.2bn budget for fresh capital for state-owned companies. The next step will be for individual ministries to decide how to parcel out their share of the budget to the companies under their control. TCE and Bull, the state-owned computer maker which is expected shortly to announce a 1990 loss variously estimated at between FFr3bn and FFr7bn, are believed to need at least FFr2bn of fresh capital each. This is on top of the demands of troubled Air France, which last week obtained FFr2bn, and other cash-hungry state sectors like aerospace and public service television. France Telecom, the state-owned telecommunications operator, has minority stakes in both Bull and TCE, but is thought to be unwilling to subscribe to large capital increases.

Record losses at Swedish banks

By Robert Taylor in Stockholm
SWEDEN'S financial institutions suffered SKr17.7bn (\$3bn) in loan losses last year, the country's independent Bank Inspection Board announced yesterday in its preliminary estimate for 1990. This is the worst figure recorded in Sweden and compares with a SKr3.6bn loss in the previous year. The commercial banks suffered SKr10.7bn in losses, compared with SKr2.8bn in the previous year, while the country's financial companies had losses of SKr6.3bn, compared with SKr900m in 1989. An estimated 69 per cent of the loan losses came from non-financial business customers in Sweden. Of those companies 90 per cent employ fewer than 50 workers. A further 18 per cent of the loan losses were by the country's finance companies and 13 per cent came from private households. An estimated 9 per cent of the loan losses were due to foreign borrowers. As a proportion of the banks' total balance sheet, the credit losses in 1990 totalled 0.7 per cent compared with 0.3 per cent for the previous year. Mr Anders Sahlen, head of the Bank Inspection Board, said recently that credit losses this year in Sweden could be as bad as they were in 1990, mainly because of the difficulties facing many manufacturing companies due to high interest rates and low property prices. But on the other hand, it does not appear that Sweden's banks are in as deep a crisis as those in Norway. The disastrous performance by most of the country's credit institutions marks an abrupt end to their rapid expansion in lending which started in the middle of the 1980s. The intense competition between the banks and other sources of credit in the frantic search for new corporate and household customers in the new climate of deregulation encouraged a huge surge in lending with insufficient attention being given to the creditworthiness of the borrowers and the risks involved. The more immediate causes of the explosion in credit losses in Sweden during 1990 stem from the sharp fall in property values as well as the poor performance of the stock market which severely affected the financial position of many borrowers against the background of a serious deterioration in the country's economy with a marked downturn in business activity.

Unilever pre-tax profits advance 5% to £1.78bn

By Clay Harris in London
UNILEVER, the Anglo-Dutch food and consumer industries group, has set aside £195m (\$376m) to cover the costs of restructuring its manufacturing operations for the single European market. The company yesterday announced the extraordinary provision with its 1990 results, which showed pre-tax profits of £1.78bn, a 5 per cent rise from the restated 1989 figure of £1.7bn. Unilever changed in 1990 from year-end to average exchange rates. Turnover increased 9 per cent to £22.26bn from £20.39bn. Sir Michael Angus, chairman, said: "We recognise that if Unilever is to remain competitive in the single market, there has to be considerable structural change as our businesses were founded and developed in a Europe of nation-states." He said 5,000 to 6,000 of the group's 110,000 jobs throughout Europe would be eliminated over the next five years. Involuntary redundancies might be avoided because of the long span of the re-organisation. "As we restructure, some factories will close and others will grow," he added. Europe was by far the strongest performer in 1990. It accounted for £12.3bn of operating profit, a 25 per cent increase on last year's figure, and 60 per cent of the total. In contrast, the North American contribution fell 19 per cent to £264m, because of heavy promotional spending and a provision of nearly £50m relating to Lipton tea and soup. However, most North American businesses held their market share. The rest of the world overtook North America and contributed £455m of operating profits. Sir Michael said possible food acquisitions were "at the heart of our mind" in North America. Attributable profits before the extraordinary provision advanced 12 per cent in sterling terms, 4 per cent in guilders and 22 per cent in dollars. The full-year increase was achieved despite stagnant fourth-quarter profits which rose only £1m to £445m at the pre-tax level on turnover 5 per cent higher at £5.88bn. One factor was a provision of nearly £20m relating to Matteson Wall's departure from meat pie manufacturing in the UK. Full-year earnings per share rose to 59.5p (\$3.15p), and a final dividend of 13.3p (12.24p) will raise the total to 18.16p (16.75p). For the Dutch half of the company, a final of F13.83 (F13.35) raises the total to F15.27 (F14.27). More conservative than many companies, Unilever normally takes closure costs and profits or losses on disposals above the line, consolidating the net figure with operating profits. It last took an \$84m extraordinary provision in 1984, when it implemented a "core business strategy." An unused £26m was written back in 1987. Unilever shares closed 11p lower at 710p. *Lex, Page 18; Details, Page 26*



Sir Michael Angus: as Unilever restructures, some factories will close and others will grow

NatWest meets forecasts with £504m full-year result

By David Lascelles in London
COUNTY NATWEST, the investment banking arm of the NatWest group, has two years at the most to prove that it can make money out of the securities business. This was made plain yesterday by Lord Alexander, who took over as chairman of NatWest last year after County plunged the clearing bank group into the Blue Arrow scandal. He made his views known when announcing a £504m (£969m) pre-tax profit for the NatWest group and an unchanged second-half dividend. The result, which met City of London forecasts, included a £48m loss by County, its fifth in succession, bringing its total losses in its six-year existence to £275m. The latest loss was caused mainly by its equities dealing and broking activities which were hit by the slump in the securities markets. Lord Alexander described the loss as "unacceptable". He said County "must become profitable in a year or two if we're to remain in that business". He praised County's success in winning market share and attracting high quality recruits, but it would also have to get back into the black, he said. "If it can't do so in a comparatively short time scale then we must 'out'. We may be a bank, but we are also a business." He did not say what form of action - sale or closure - NatWest would take if County failed to meet the deadline. However, it was clear that County focused on County's equities business, and that this might be more vulnerable than other parts of County which include merchant banking and fund management. Several steps have already been taken to make County profitable. Lines of business have been closed and staff has been trimmed. But Mr Howard MacDonald, County's chief executive, said yesterday that people in the investment banking business still had unrealistically high salary expectations. Although County has appeared to make progress in recent months, its position has long seemed to be one of the more precarious among the City's large investment banks. *Lex, Page 18*

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MANAGING
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INTERNATIONAL COMPANIES AND FINANCE

Armco deal for Cyclops collapses

By Martin Dickson in New York

AN \$156M deal for Armco, the large US steel manufacturer, to buy speciality steel group Cyclops Industries collapsed yesterday when Armco's financing fell through. However, Armco said it was looking for new ways to fund the takeover.

Armco had intended to finance the deal mainly through the sale of \$100m of convertible preferred stock to Allegheny Corporation, the New York financial services group, which holds

a large stake in Cyclops. However, Allegheny has pulled back from the agreement in principle between the two companies. Allegheny said yesterday that "too many serious complications arose in the course of efforts to complete the transaction".

The company declined to spell out their nature, saying "when a deal dies, we prefer not to perform a public autopsy". Shareholders in Cyclops

would have received \$22 a share in cash for their holdings. Armco would have financed the remaining \$56m out of its resources. Shares in Cyclops dropped sharply yesterday, to stand at \$13.4, down 55% at lunchtime. Armco dipped 5% to \$54.

The deal would have meant an important realignment of the profitable US speciality steels business, with an Armco-Cyclops combination vying for leadership of the sector

against the current number one, Allegheny Ludlum. Armco would have moved decisively ahead of the current number two, J&J Specialty Products, which was recently bought by Usinor Saciilor of France.

The combination would have boosted Armco's operations in stainless steel, one of the fastest growing steel markets. Cyclops said yesterday it was disappointed at the collapse of the deal and was no longer talking to Armco.

LTV progresses in pensions dispute

LTV, the third largest US steel group, has reached a basis for a settlement of a long-running pensions liability battle which could pave the way for LTV to emerge from bankruptcy court protection, writes Martin Dickson.

LTV sought the protection of the bankruptcy courts in 1986 because of a serious underfunding of its pension fund liabilities.

Since 1987, it has been in dispute with the Pension Benefit Guaranty Corporation, the US pension insurance agency, over payment for the liabilities. Last year the PBGC won a Supreme Court ruling that LTV should assume the costs, and it proposed a 30-year repayment schedule, with an initial cash payment of \$575m, which the company said it could not pay.

However, an LTV representative said that, although numerous issues had to be resolved, the company had reached an outline basis of agreement with the PBGC, involving a 30-year repayment schedule and an initial cash contribution.

The move follows the appointment in January of Mr David Hoag as chief executive of LTV and his rapid assumption of personal responsibility for negotiations with the PBGC.

Mr Hoag, formerly president of LTV's steel operations, took over from Mr Raymond Hay, who remains the company's chairman. Mr Hay has been criticised for his handling of the pensions issue.

More details of the agreement may emerge on Thursday, when the company is due to report to Judge Burton Lifland of

the New York bankruptcy court on progress towards a settlement. The deal means the judge is likely to extend LTV's exclusive right to file its own plan of bankruptcy reorganisation. That right is due to expire on March 6.

Nucor, the North Carolina-based company which is one of the most successful of the US mini-mill steel manufacturers, yesterday reported 1990 net income of \$75.1m, or \$3.56 a share, up from \$57.8m, or \$2.71 a share in 1989. Sales rose to \$1.45bn from \$1.27bn.

The figures contrasted with the generally lower profits reported by the main integrated steel manufacturers, which have been losing business in commodity products to the mini-mills with their lower cost base.

Ford Canada C\$61.6m loss in final quarter

By Robert Gibbins in Montreal

FORD Motor of Canada has reported a fourth-quarter loss of C\$61.6m (US\$45m), or \$7.43 a share, on sales of \$3.2bn, and has cancelled its year-end dividend for the first time since 1983.

In the fourth quarter of 1989, Ford Canada earned \$24.1m, or \$2.9 a share, on sales of \$3.8bn. Last year the company, 94 per cent-owned by Ford US, paid out \$11 a share.

Ford Canada is suffering from sliding car sales and a sluggish truck market.

For 1990, Ford Canada lost \$57.1m, or \$6.89 a share, on sales of \$13.7bn, down 10 per cent.

The 1990 figures include losses by several overseas operations.

South Korean group acquires 4.97% of Zenith Electronics

By Martin Dickson

GOLDSTAR, the large South Korean electronics group, has acquired a 4.97 per cent stake in Zenith Electronics, the last US-owned maker of television sets. The investment comes as Zenith is facing a battle against a large dissident shareholder over the composition of its board.

Zenith said it had also entered into agreements with GoldStar which would allow it to "expand its technologies to overseas markets".

Some 12 per cent of Zenith is owned by Nycor, a shell company and spin-off from the Fedders air conditioning business, which has strongly attacked Zenith's strategy and is trying to get three directors elected to the 10-member board at the company's annual meet-

ing on April 24. Zenith opposes the move as "disruptive".

Zenith insisted that yesterday's deal was unconnected with the fight against Nycor. However, the stake sale will make it harder for Nycor to gain majority support. Zenith argued yesterday that GoldStar's investment was a strong endorsement of its strategy to develop a high-definition television system.

GoldStar is a leading consumer electronics brand in South Korea. Its investment in Zenith is a mere \$15m, but it paid \$10.34 each for the shares, well above Friday's closing price of \$7. Zenith shares closed last night at \$7.1.

Zenith is working with American Telephone & Tele-

graph to develop an all-digital version of high definition television, a technology which promises superior picture quality.

However, the company faces strong rivals and has lost money in five out of the past six years. On Monday it announced a fourth-quarter loss of \$25.5m, or 94 cents a share, against a loss of \$27.3m, or \$1.02 a share, a year before. That produced a 1990 net loss of \$65.5m, or \$2.36 a share, against a loss of \$68.4m, or \$2.56, in 1989. The company blamed "recessionary conditions".

Under a "standstill agreement," GoldStar has undertaken not to increase its stake in Zenith beyond 15 per cent for two years.

Molex buys Litton division in Germany

By Barbara Durr in Chicago

MOLEX, the US electronics manufacturer, has acquired the operations of Litton Industries' Winchester Electronics division in Germany. Molex, a leading world maker of electrical connectors, said the purchase was aimed at increasing its presence in Europe.

In the last fiscal year, ended June 30, Molex's European revenues were \$101m, of a total of \$594m.

Although the acquisition from Litton is small, with estimated yearly sales of less than \$10m, Molex said it provided a good opportunity for penetrating the lucrative European telecommunications market.

The Winchester Electronics plant, outside Heilbronn, manufactures high-density interconnecting systems used in telecommunications, and computer and industrial controls.

The company plans to increase volume of the German plant's existing products.

FNN accepts \$105m offer for TV and radio business

By Karen Zagor in New York

FINANCIAL News Network (FNN), the business news media group put up for sale in November, has accepted a \$106m cash offer for its cable television and business radio networks operations in an agreement with CNBC, a cable television subsidiary of General Electric.

The deal comes two weeks after FNN agreed in principle to an offer of \$90m from a joint venture between Dow Jones and Westinghouse Broadcasting.

Dow Jones said it was "extremely disturbed" by FNN's decision to accept the higher offer. It said it would still like to complete the deal, prompting speculation that a bidding war for FNN might develop.

FNN said yesterday the CNBC offer best served the interests of its creditors, shareholders and FNN.

An acquisition of FNN's 24-hour business television channel makes strategic sense for Dow Jones and CNBC. Dow

Jones, which has a strong presence in business news through the Wall Street Journal and its Dow Jones wire service, would like to expand into cable television.

CNBC, which was launched about 18 months ago, provides business programmes during the day and competes directly with FNN. The proposed acquisition would increase the number of CNBC subscribers from about 18m to more than 30m.

Although the CNBC offer is less than FNN's total liabilities, which include about \$50m in bank loans and about \$88m in lease obligations, FNN said the agreement would leave it with its broadcast equipment and other assets, and result in more cash than any other offer it had received.

However, since the proceeds from this sale and other asset dispositions are unlikely to cover FNN's total debt, the company expects to file for protection from creditors under Chapter 11 of the federal bankruptcy code.

Sasol buys state share of fuels concern

By Philip Gawth in Johannesburg

SASOL, the South African fuel group specialising in the conversion of coal to oil and gas, is buying the state-run Central Energy Fund's (CEF's) 50 per cent stake in the Sasol 3 synthetic fuels project and redeeming loans to the fund in a deal worth R2.9bn (\$90m).

Sasol 3 was commissioned in 1982 at a cost of R2.3bn. When privatised in 1979, Sasol committed itself to buy CEF's stake later. Sasol will acquire the CEF equity in Sasol 3 for R617m. The loan from the CEF of R2.3bn will be redeemed in annual instalments over five years.

Sasol also announced considerably improved results in the six months to December 26, on

the back of higher oil prices and increased production volumes.

Turnover rose by 69.5 per cent to R4bn from R2.36bn, though hefty tax and interest payments meant attributable earnings were only 29.2 per cent up at R464.8m against R359.7m. The consolidated results include Sasol 3, as CEF's equity was acquired with effect from July 1 last year.

Mr Jo Stegmann, chairman, said the group had benefited from higher international crude oil prices and, consequently, higher petroleum product prices and refining margins.

Product prices, expressed in

crude oil equivalent, averaged about \$26 per barrel for the period.

The weaker international market for chemicals and the higher cost of raw materials resulted in chemicals activities contributing less to profits.

Mr Paul Kruger, managing director, said the initial effect of the Sasol deal on earnings would be small. He said the loss of Sasol 3's dividend would be offset by the consolidation of profits.

In the year to June 1990, Sasol 3 made pre-tax profits of R275m.

In the longer term, earnings will increase in tandem with lower interest payments as the loan is redeemed.

Daimler in production pact with Ssangyong

By John Riddling in Seoul and Kevin Dona in London

DAIMLER-BENZ, the German automotive and aerospace group, has signed a licensing agreement with a South Korean company for the production of Mercedes-Benz vans. This will be the first time Mercedes-Benz vans have been produced outside Europe.

Mercedes-Benz is the automotive subsidiary of Daimler-Benz. Ssangyong Motors, a subsidiary of Ssangyong Group, one of South Korea's largest conglomerates, is due to begin production of a licence of 50,000 vans and 80,000 diesel engines per year after 1994.

It will assemble the Mercedes-Benz MB 100 medium van range, with a one- to two-tonne payload, produced for the European market by Mercedes-Benz's Spanish subsidiary.

Some 30,000 of the Korean-produced engines will be fitted by Ssangyong in its own range of four-wheel-drive vehicles.

Part of the Ssangyong production will be exported to markets in south-east Asia and marketed through the Mercedes-Benz sales organisation under the Mercedes-Benz name. In Korea, the vans will be marketed under the Ssangyong name.

Mr Belmont Warner, deputy chairman of Mercedes-Benz, said the company would provide technical support to Ssangyong for the production and modification of the MB 100 range for the Korean market.

The agreement is believed to be the first in which Mercedes-Benz has offered technology and joint development to a foreign vehicle manufacturer.

Under the agreement, which will run until 2000, the German company will receive royalties equivalent to 2 per cent of sales.

Ssangyong Motors said it would invest won669.1bn (\$925m) to construct two factories for the production of the vehicles, engines and transmissions. Production would start in 1994, and reach 100,000 vehicles and 140,000 engines and axles by 2000.

The plants will be based in Seoul and in the big industrial centre Pusan.

Ssangyong forecast that production of essential parts would be at least 80 per cent localised in 1994 and almost 100 per cent by 1998. Most production would be sold domestically. It forecast sales of 50,000 vehicles by 1995, about 15 per cent of the forecast market size.

GM abandons talks on Slovak engines plant

By Kevin Dona, Motor Industry Correspondent

GENERAL Motors of the US, the world's leading vehicle maker, has abandoned its negotiations with the Slovak government to manufacture transmissions and assemblies in Slovakia, one of the Czechoslovakia's regions. It is expected instead to build the transmissions plant in Austria at the site of the GM transmissions plant at Aspern, near Vienna.

The company would not comment on the deal yesterday, but it is understood that talks with the Austrian government are advanced. The investment could total more than \$20m.

Negotiations for setting up the transmission plant at the Bratislavské Automobilové Závody (BAZ) plant in Bratislava, have been under way for several months, but GM was unable to reach agreement on several issues.

The amount of state financial support is understood to be a sticking block.

GM is under some pressure to decide on the location for the transmission plant, because the gearboxes are required for Opel/Vauxhall cars planned to be in production from 1992-93.

The transmissions plant will manufacture up to 250,000 units a year. GM is increasing its engine building capacity in Europe with the construction of a plant in Hungary.

The breakdown of the talks is GM's first setback in its eastern European expansion.

Co-operative seeks help

A DIVERSIFIED Argentinian supermarket, credit union and co-operative group has told its 1.9m clients and members it will freeze all payments for 35 days while it seeks financial support from the government and private banks to overcome a \$62m deficit, writes John Barham in Buenos Aires.

El Hogar Obrero, founded in 1908 by leaders of the Socialist Party, has yearly revenues of \$700m. Its interests include supermarkets, shopping centres, meat-packers, a bank and

a private pension scheme. It is ranked among the country's 10 largest companies.

The co-operative said it would begin selling property and assets to cover the deficit, but is calling for a bridging loan from the government and foreign lenders.

Its difficulties began when hyperinflation last year hurt its financial assets.

The problems worsened as a diversification strategy crumbled with the sharp decline in savings and consumer demand.

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INTERNATIONAL COMPANIES AND FINANCE

British Aerospace ahead 13% to £376m pre-tax

By Paul Betts, Aerospace Correspondent, in London

BRITISH Aerospace yesterday reported a 13 per cent rise in pre-tax profits for last year and said it was confident about the company's longer-term prospects.

The increase to £376m (1990) from £333m in 1989 was achieved despite a difficult international business climate with high inflation, high interest rates and an undervalued dollar testing the company's diverse activities, said Professor Roland Smith, chairman.

He warned that the company would have to continue cutting costs. It would shed jobs and rationalise production capacity to remain competitive.

The company has announced cuts in its military aircraft operations including the loss of 5,000 jobs and the closure of

two plants. It is expected to launch a similar programme on its civil aircraft side in the next few weeks.

Sales rose 16 per cent to a record £10.54bn last year. The order book stood at £11.8bn at the end of last year.

The company raised the final dividend to 16.1p a share from 14.6p last year, bringing the total dividend for the year to 25p against 22.7p for 1989.

"This 10 per cent increase in the dividend is a sign of our confidence," Professor Smith said.

Earnings per share after exceptional items increased by 12 per cent to 92.7p last year.

BAA's defence business accounted for more than 40 per cent of total sales and constituted the dominant portion

of the group's trading profits.

Defence accounted for £488m of the company's £585m overall trading profits last year. This was a sharp increase from £300m in 1989 when total group trading profits were £441m.

Motor vehicles sales rose last year to £3.79bn from £3.43bn but trading profits declined to £55m from £64m.

Commercial aircraft sales rose to £1.58bn last year from £1.4bn and profits increased to £35m from £15m.

Mr Dick Evans, BAA's chief executive, said the company was in a strong position to take advantage of defence and civil engineering opportunities expected to emerge in the Middle East after the Gulf war.

Lex, Page 18

Asko links with Klaus Jacobs to control Adia

ASKO, the German retailer, and Mr Klaus Jacobs, the Swiss business executive, have acquired a majority interest in Adia, the Swiss employment group, from the Swiss investment group Omni Holding, Reuter reports.

Asko said that a price of Sfr1,100 a share for 700,000 Adia shares had been agreed, representing 83 per cent of Adia's voting capital.

Omni is headed by Mr Werner Roy, the Swiss financier. The group has been caught in a credit squeeze by high interest rates and the falling stock market value of its holdings and is under pressure to cut debts and sell assets.

Mr Jacobs, a native German and a member of the Jacobs coffee dynasty, headed Jacobs Suchard, the Swiss chocolate and coffee group, until it was taken over by the US conglomerate Philip Morris last year.

Asko said that the plan for Omni to take a stake in Adia's Swiss subsidiary Conco Holding had been dropped. Omni said last month that it was selling its Adia stake to Conco.

As part of the deal, Omni was to take 49 per cent of Conco, while Asko would have cut its holding from 80 per cent to 49 per cent.

After the failure of that sale, Swiss distribution group Metro International had offered a credit to Omni in return for a stake in the Reiser empire. But this arrangement was also quickly dropped.

S&P's puts Swede group on watch

STANDARD & Poor's, the international credit-rating service, expects a "significant reduction" in the "financial flexibility" of the Wallenberg industrial empire in Sweden, resulting from Monday's Sfr12.5bn (£2.5bn) acquisition of Saab-Scania's auto group by the family's investment companies Investor and Providentia.

So S&P said that it had placed the A-1 commercial paper rating of the Swedish investment company Patricia Treasury, on CreditWatch.

Philips faces further sharp shocks

Ronald van de Krol looks at the ongoing reshaping of the company

PHILIPS, the Dutch electronics group, will tomorrow unveil the largest loss suffered by a company in the Netherlands, underscoring the sharp reversal in fortunes of the country's premier industrial concern.

But attention has already begun to swing from the much-discussed 1990 figures to focus on the future and, specifically, on the question of which businesses the company will need to divest or transfer to joint ventures in order to return to lasting profitability.

The company said in November that its 1990 figures would show a huge net loss of Fl 4bn (US\$2.4bn), reflecting Fl 4.5bn in provisions needed to restructure the group and eliminate as much as 20 per cent of Philips' 285,700-strong worldwide workforce. A year earlier, Philips had posted net profit of Fl 1.57bn.

The reshaping of Philips is the work of Mr Jan Timmer, the company's president. He took over in July and quickly made good on his promise to shake up the Philips organisation, which has been long on technical expertise but lacking in the kind of marketing savvy that has helped propel Japanese competitors such as Sony.

Analysts expect the 1990 figures to meet Mr Timmer's forecasts, but they point out that the precise result is fairly academic at this stage. "A couple of hundred million guilders higher or lower is not important on a figure like that," said Mr Bill Coleman

of James Capel in London. More important to analysts is Philips' readiness to formulate a detailed strategy for reducing the range of its businesses. The company, which began life 100 years ago as a light bulb factory and which is now the world's leading lighting manufacturer, makes everything from computers to compact discs and from shavers to semiconductors.

"As long as Philips has not announced that it will be an extraordinary shareholders' meeting that 10,000 jobs would be cut from the semiconductor and computers sector and that the group would plunge into a net loss of Fl 2bn in 1991. In October, he said that Philips would not be paying a 1990 dividend and that as many as 45,000 additional jobs might have to go. Then, in November, he doubled his prediction of losses to Fl 4bn and announced extra provisions.

According to Mr Timmer, the company is working on a "portfolio choice" programme. As part of this, sectors with few prospects for profits or with little connection to core businesses are to be divested.

So far, details have been sparse and piecemeal, and no overall strategy has been put forward. This week, for example, Philips said it was withdrawing from the production of laboratory equipment by selling part of Philips Scientific, its Cambridge, UK-based subsidiary, to Analytical Technology of the US.

On a much larger scale, Philips is also expected to sell its 47 per cent holding in a white goods joint venture to its US partner, Whirlpool, this year. The sale will raise about Fl 1bn for Philips, of which Fl 675m will be booked

as an extraordinary gain. Analysts say that other activities which may eventually be transferred to future joint ventures include parts of Philips' semiconductor and computer businesses. As in the case of white goods, such a move could be a prelude to withdrawing from certain activities.

The company is also still searching for a buyer for its US defence electronics subsidiary. Thanks in part to disposals such as these, Philips is forecast to return to profit in 1991.

Predictions for 1991 after-tax profit, excluding likely extraordinary gains which are difficult to forecast, range from Fl 200m to Fl 500m. Dividend payments may also be resumed on 1991 results, though at a much reduced level from its last dividend of Fl 2 in 1989.

Analysts' caution that the pace of recovery may be hampered by recession in the US and the UK, and slower rates of economic growth in continental Europe. These slowdowns not only threaten to affect sales, particularly in consumer electronics, but they will also make it difficult to find buyers for businesses which are to be earmarked for disposal.

Mr Timmer may be taking Philips in directions which were long overdue, but the problem is that he is trying to do so in the toughest business climate that the group has faced in years.

ESAB profit declines 27% to SKr273m

By Robert Taylor

ESAB, the world's leading welding equipment producer, announced yesterday a 27 per cent drop in profits (after financial items) for 1990 with a fall to SKr273m (US\$45m) compared with SKr373m for the previous year.

However, the group's orders went up by 26 per cent to SKr6.99bn from SKr5.46bn, while invoiced sales rose by 34 per cent during last year to SKr7.03bn from SKr5.27bn.

Esab announced that it would pay a dividend of SKr0.50 per share, the same as in 1989. Profit per share was down to SKr2.39, compared with SKr2.39 in 1989.

The company also said it could not make a profits forecast for this year because of uncertainties about future world economic development but noted that the market for Esab's products would follow any general increase in demand for industrial goods.

Last year Esab said the market for welding and grinding equipment had worsened across western Europe except in Germany, Holland and Belgium where market demand remained high.

Aker beats predictions with increase of 11.7%

By Karen Fosell in Oslo

AKER, the big Norwegian cement, oil and gas technology group, yesterday announced an 11.7 per cent improvement in 1990 profits, before extraordinary items, to Nkr632m (\$106m) from Nkr568m in 1989.

Aker's result was slightly higher than forecast and the board proposed to raise the dividend payment for 1990 by Nkr1, to Nkr3.60 a share.

Extraordinary income of Nkr997m, from the sale of shares and property, nearly doubled net profits, before year-end allocations and taxes, to Nkr1.63bn in 1990 from Nkr848m a year earlier.

Group sales, however, declined by 8.5 per cent to Nkr13.41bn in 1990 from Nkr14.66bn in 1989.

This was in part due to weak markets for cement operations in the UK, US and Norway.

Mr Tom Rund, Aker's president and chief executive, forecast a slight increase in 1991 group profits and sales in line with 1990.

However, he explained that earnings per share would increase more than an increase in profits might suggest due to a forecast improvement in

results by wholly owned companies.

Aker's cement and building materials division increased 1990 sales by Nkr633m to Nkr6.53bn but profits fell by Nkr206m to Nkr369m.

Aker said that Castle Cement in the UK saw a 5 per cent fall in deliveries and that it had postponed the construction of a cement plant.

In Norway, Norcem cement production was reduced by 10 per cent due to a cut in domestic demand.

Aker said that the modernisation of a domestic plant was proceeding according to schedule but that investments were likely to be higher than originally envisaged.

The oil and gas technology division, experienced a Nkr518m decline in turnover to Nkr5.95bn. Profits declined by Nkr31m, although companies within the division were awarded contracts for some of the largest Norwegian offshore oil and gas field developments.

Aker forecast that for 1991 the weak trend in domestic construction and civil engineering would continue while the international cement market would decline further.

Sedgwick sharply lower at £69.3m for year

By Richard Lapper in London

SEDGWICK Group, the international insurance broker, yesterday posted sharply reduced 1990 profits after incurring exceptional expenses of £21.4m (\$41m) in rationalising its US and European operations.

Pre-tax profits were £69.3m for the year ending December 31 1990, against £86.1m in 1989. Pre-tax profits before the charge were £90.7m, 5 per cent ahead of last year's figure and also higher than most analysts' forecasts.

Earnings per share fell to 10.4p (13.5p before the exceptional charge) compared with

13.3p last year. A final dividend of 8p per share was recommended, leaving the dividend unchanged at 12p.

Despite the cut in profits, the market welcomed the announcement, the shares rising 4p to 23p. According to Mr Allan Nichols, analyst with James Capel: "It gets everything out into the open and gives the market confidence about the reorientation of the group."

Over half the exceptional charge will be spent in the US where the Sedgwick James subsidiary will close its office in Baton Rouge and reduce

activities in Las Vegas. Worldwide, 800 staff, some occupying senior executive posts, will leave the company before the middle of this year. Redundancy and relocation costs amount to £11.4m. Unprofitable financial services ventures in Sweden, Germany, Spain and Australia are to be closed.

The measures are designed to improve operating efficiency when opportunities for revenue growth are constrained by market conditions. Softness in insurance and reinsurance markets held back revenue growth, especially in the US.

Two other trends - the fall in

interest rates and the strength of sterling against the dollar - also undermined profitability.

Sixty per cent of Sedgwick's revenues are in dollars. Mr David Rowland, group chairman, estimates that every cent of upward movement in the dollar costs Sedgwick between £200,000 and £250,000.

Last year expense growth was held back with costs rising at an underlying rate of 6 per cent (and by 1.9 per cent in sterling terms) to £587.5m.

Interest and investment income declined marginally to £70.4m against £71.3m in 1989.

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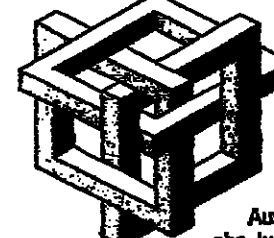
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INTERNATIONAL COMPANIES AND FINANCE

Bridgestone advances 5% to reach Y91bn in year

By Emiko Terazono in Tokyo

BRIDGESTONE, the Japanese tyre maker, yesterday announced a 4.5 per cent rise in non-consolidated pre-tax profits to Y91bn (\$700m) for the year ending December 1990.

Sales for the company rose 3.8 per cent to a record Y724.2bn, and net profits grew 23 per cent to Y53bn, also a record figure.

Tyre sales, which account for 76 per cent of total sales, remained flat, but sales for non-tyre products, which include industrial rubber and chemical products and sporting goods, rose 16 per cent.

For 1991, Bridgestone expects non-consolidated pre-tax profits to fall 13 per cent to Y79bn, and sales to rise 2 per cent to Y740bn.

Bridgestone said that

although the unconsolidated earnings were fairly positive, it expected the consolidated results not to be as good.

The company revised its 1990 consolidated earnings downward last December due to the heavier-than-expected losses at Firestone Tire and Rubber, the US company it bought two years ago for Y2.8bn. It projected a net profit of Y10bn, down from an earlier estimate of Y20bn, and reduced sales of Y1,780bn.

The company expects to announce its consolidated results at the end of March, but it said net profits might be lower than the forecast Y10bn, due to the higher value of the yen against other currencies.

AP-DJ writes from Tokyo: Bridgestone said it was

plagued by a combination of rising oil prices, higher interest rates and the yen's appreciation in the second half.

However, increased sales in the domestic market helped offset a fall in demand in the US and other big overseas markets and helped push up sales and profits. Domestic sales, including tyres, sporting goods and other products, rose 7 per cent to Y509.8bn, accounting for 70 per cent of overall sales.

On the other hand, exports, at Y214.6bn, showed a 4 per cent drop.

The group said demand for tyres was strong in Asia and Europe, but North America showed a drop because of a slowdown in the economy, as well as expansion of local tyre production by Bridgestone.

Matsushita Electrical Industrial jumps 12%

By Ian Rodger in Tokyo

CONSOLIDATED net income of Matsushita Electric Industrial - the Japanese electronics group which acquired MCA, the US cinema group, last November for more than \$8bn - jumped 12 per cent to Y84.2bn (\$647m) in the group's third quarter to December 31 on revenues up 9 per cent to Y1,784.3bn.

Consolidated pre-tax profits were up 8 per cent to Y183.7bn.

The results of MCA in the period are not included.

Matsushita said domestic sales grew 8 per cent in the third quarter to Y1,003.5bn, while overseas sales were up 10 per cent to Y780.8bn.

Video equipment sales grew 8 per cent to Y458bn, with brisk domestic camcorder sales offsetting slow video cassette recorder sales in Japan.

Home appliance sales grew 14 per cent to Y234.4bn, reflecting the popularity of air conditioners that provide both heating and cooling and of the group's washing machines and vacuum cleaners.

Communication and industrial equipment sales jumped 12 per cent to Y384.1bn, thanks to strong demand for information equipment, mobile communications equipment and factory automation equipment.

For the nine months, Matsushita's net income jumped 14 per cent to Y211.1bn, on revenue up 11 per cent to Y5,031.4bn.

Restructure plan unveiled by Itoman

ITOMAN, the Osaka-based trading house that ran into trouble investing in property development, yesterday unveiled a restructuring plan backed by Sumitomo Bank, its main banking partner, Reuter reports from Tokyo.

Itoman's parent company will transfer part of its property-related investments and loans to its subsidiaries, the company said. The plan replaces a pledge to slash property investment and loans by Y350bn (\$2.69bn) announced in December.

Bankers said the ailing textile trading company would now transfer about Y500bn of nearly Y1,000bn in land-related investments and loans.

About 60 Japanese financial institutions to which Itoman owes money are expected to accept the plan.

Sumitomo, the world's third largest bank in asset terms, pledged full support for the ailing Itoman.

However, Sumitomo denied Japanese press reports that the bank planned to reduce interest rates on its loans to Itoman.

Suntory reveals decline of 21%

SUNTORY, a leading Japanese brewer and whisky maker, yesterday unveiled a 20.6 per cent fall in unconsolidated pre-tax profits to Y14.37bn (\$110m) for 1990 from Y18.09bn, AP-DJ reports from Tokyo.

Net income plunged 21 per cent to Y4.87bn, or Y7.05 a share, from Y8.96 a share. Overall sales advanced 2.5 per cent to Y786.45bn.

The company cited higher domestic interest rates, investment costs and appraisal losses due to the plunge in Tokyo stock prices for the fall in profits. Its purchase of Cerebos Pacific, a Singapore holding company, added to investment costs.

Beer sales rose 5.2 per cent to Y208.31bn. Food and non-alcoholic drink sales showed a 26 per cent gain to Y139.46bn. However, sales of distilled liquor, Suntory's main business, slipped 4.7 per cent to Y416.62bn, hurt by a revision in alcoholic drink taxes.

HK bank may reveal reserves

By John Elliott in Hong Kong

THE Hongkong and Shanghai Banking Corporation is to consider revealing details of its secret inner reserves with its results for 1991 and 1992, but has decided not to include them when its figures for last year are published on March 12.

This was announced yesterday by Mr William Purves, chairman of the bank, at an extraordinary general meeting which overwhelmingly approved the creation of a London-domiciled holding com-

pany, HSBC Holdings. Last year's profits are expected to be substantially lower than 1989's HK\$4.77bn (\$612m).

A total of 99.55 per cent of the votes cast yesterday were in favour of the change of domicile which was announced two months ago and is aimed at protecting the bank's interests as Hong Kong approaches its return to Chinese sovereignty in 1997.

The move will bring the bank under European Community legislation and means that

it is expected to abide by an EC directive on bank disclosure from the beginning of 1993.

"The board will keep the issue under review annually and if there is merit in disclosure earlier (than 1993), it will be up to the board to decide," Mr Purves said yesterday.

Mr Purves said that the Gulf war had not had a serious impact on operations and the bank would like to reopen its branch in Kuwait when that became possible.

Philippines copper group falls

By Greg Hutchinson in Manila

ATLAS Consolidated Mining and Development, the Philippines' largest copper producer, yesterday blamed the effects of a powerful typhoon on Cebu province towards the end of last year for depressing 1990 net profit.

The company reported a net earnings fall to 309.85m pesos (\$11.3m) for 1990 from 328.68m pesos the previous year, translating to earnings per share of 3.71 pesos against 3.94.

The falling peso last year is believed to have contributed to a slight rise in net operating revenue to 4.55bn pesos from 4.76bn.

"The company could have posted a higher net profit were

it not for the adverse effects of the super typhoon that hit Cebu copper operations in mid-November 1990, which disrupted power and water supply, damaged infrastructure and facilities, and induced landslides in the open pits," Atlas said.

Mining operations were suspended for a week in the underground mines and two weeks at Biga Pit, and for two months at Carmen Pit.

But Atlas' Masbate gold operations were unaffected by the typhoon and 1990 gold production reached a record, the company said.

Atlas reported that its foreign currency loans were suc-

cessfully restructured in 1990, with an initial payment of \$30m at a discount of 35 per cent. A net saving of 316m pesos resulted after restructuring expenses, an extraordinary gain. In 1989, the extraordinary gain on debt repayment at a discount of 25 per cent was 67m pesos before income tax.

"With the restructuring of both the US dollar and peso Philippine loans - combined with management steps taken to further reduce costs and enhance operating efficiencies - the company now has the financial and operating flexibilities to build and improve profit margins," Atlas concluded.

Linter management in A\$230m buy-out

By Bruce Jacques in Sydney

MORE OF the best-known brands in the Australian clothing industry will fall under foreign control following a A\$230m (US\$182m) management buy-out of the Linter textile business.

Merrill Lynch Capital Partners, an offshoot of the big US securities firm, is heading a syndicate to buy the remaining Linter businesses from the company's receivers.

The transaction follows the collapse early last year of the textile and building products empire controlled by Mr Abe Goldberg, the Melbourne businessman.

Merrill Lynch announced yesterday it would finance the purchase, which includes King Gee, Markbites, Formfit and Polanco brands, with about \$22m in equity. Further facilities totalling about \$150m have been arranged by Bankers Trust Australia.

The sale agreement, to be finalised by April, follows a marketing campaign conducted by Goldman Sachs and KPMG Peat Marwick. It also follows the sale last year of another key Linter asset, the Speedo swimwear brand, to Pentland Industries of the UK.

Mr Albert Fitzgibbons, Merrill Lynch Capital Partners executive vice-president, said that, although the group will maintain majority ownership of the Linter business, day-to-day decisions would be entrusted to the company's existing Australian managers.

These include Mr John Blood, Linter managing director, and Mr David Gale, finance director, heading a team of senior executives who will have equity participation in the new structure.

The businesses employ about 6,000 people. The purchase is subject to Foreign Investment Review Board approval.

Howard Smith produces strong result

HOWARD Smith, the Sydney-based shipping and engineering group, has emerged from its controversial association with Mr John Spalvins' Adelaide Steamship concern with a strong result for the first half to December.

The company took net profits to A\$104.1m (US\$83m) from A\$51.6m on a rise in revenue to A\$561.9m from A\$413.7m. But the rest included several abnormal items.

The company quit its interest in Adsteam, crystallising a

loss of A\$47.8m. And it wrote down its investment in UK-based Markheath Securities, an Adsteam associate, by A\$11.5m.

These losses were more than offset by a A\$115.8m book profit on disposal of the company's stake in Coal and Allied Industries, one of Australia's biggest coal producers.

After some other minor adjustments, Smith reported a A\$69.5m abnormal profit, against A\$22.5m a year ago. Underlying net profit rose 23

per cent to A\$36.4m, but directors have cut the interim dividend to 10 cents a share from 25 cents, because a A\$1 a share special dividend, taking A\$140.5m, is due this month.

Directors said the company would maintain a strong financial position after the payout, with current assets A\$102m more than liabilities and a balance sheet showing long-term borrowings of A\$25.2m against shareholders' equity of more than A\$380m.

The report showed shipping and towage as the best profit centre, contributing A\$17m before tax. Interest expense rose to A\$13.1m from A\$7.4m and depreciation took A\$6.2m against A\$6.5m. Tax provision rose to A\$16.8m from A\$12.9m.

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\$4.4 billion block-to-block in 1990.

Lufthansa U.S. Ownership 44% Leases for One Boeing 747-200 Aircraft	Virgin U.S. Ownership 44% Leases for One Boeing 747-200 Aircraft	UNITED U.S. Ownership 44% Leases for One Boeing 747-200 Aircraft	LUXAIR U.S. Ownership 44% Leases for One Boeing 747-200 Aircraft
MCDONNELL DOUGLAS FINANCE CORPORATION U.S. Ownership 44% Leases for One Boeing 747-200 Aircraft	Malaysia U.S. Ownership 44% Leases for One Boeing 747-200 Aircraft	BHARAINI U.S. Ownership 44% Leases for One Boeing 747-200 Aircraft	Major Asian Airline U.S. Ownership 44% Leases for One Boeing 747-200 Aircraft
VARIG U.S. Ownership 44% Leases for One Boeing 747-200 Aircraft	GPA U.S. Ownership 44% Leases for One Boeing 747-200 Aircraft	CAAC-Shanghai Region U.S. Ownership 44% Leases for One Boeing 747-200 Aircraft	Commercial Airlines, Inc. U.S. Ownership 44% Leases for One Boeing 747-200 Aircraft
TEA U.S. Ownership 44% Leases for One Boeing 747-200 Aircraft	CHEMICAL BANK U.S. Ownership 44% Leases for One Boeing 747-200 Aircraft	Ibercapital U.S. Ownership 44% Leases for One Boeing 747-200 Aircraft	Hong Kong Leasing Line for 24 Transoceanic & Equipment Leased Assets 17 Airlines
AA U.S. Ownership 44% Leases for One Boeing 747-200 Aircraft	AUSTRALIAN AIRLINES LIMITED U.S. Ownership 44% Leases for One Boeing 747-200 Aircraft	Aviation Financial Assets Trading Limited U.S. Ownership 44% Leases for One Boeing 747-200 Aircraft	Republic of Portugal U.S. Ownership 44% Leases for One Boeing 747-200 Aircraft
AIR FRANCE U.S. Ownership 44% Leases for One Boeing 747-200 Aircraft	Malaysia U.S. Ownership 44% Leases for One Boeing 747-200 Aircraft	Global Aircraft Leasing Ltd. U.S. Ownership 44% Leases for One Boeing 747-200 Aircraft	Major Asian Airline U.S. Ownership 44% Leases for One Boeing 747-200 Aircraft
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UNITED U.S. Ownership 44% Leases for One Boeing 747-200 Aircraft	Malaysia U.S. Ownership 44% Leases for One Boeing 747-200 Aircraft	Aviation Financial Assets Trading Limited U.S. Ownership 44% Leases for One Boeing 747-200 Aircraft	UNITED U.S. Ownership 44% Leases for One Boeing 747-200 Aircraft
UNITED U.S. Ownership 44% Leases for One Boeing 747-200 Aircraft	Malaysia U.S. Ownership 44% Leases for One Boeing 747-200 Aircraft	Aviation Financial Assets Trading Limited U.S. Ownership 44% Leases for One Boeing 747-200 Aircraft	UNITED U.S. Ownership 44% Leases for One Boeing 747-200 Aircraft

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FACTORING

The FT proposes to publish this survey on 4th April 1991.

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FT SURVEYS

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

FT BUDGET ISSUE 20 MARCH 1991

This year the Financial Times plans to publish a separate section devoted to the Chancellor's budget. It will include views, commentary and analysis of the Budget.

For further information about advertising rates and opportunities within the Financial Times budget editorial, please contact Andrew Muir on 071-873 4063 or your usual Financial Times representative.

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GLOBAL ALPHA STRATEGY FUND SICAV
comprising:
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US/EUROPE ALPHA FUND
R.C. Luxembourg B 21433

Notice is hereby given to holders of shares in GLOBAL ALPHA STRATEGY FUND SICAV that the ANNUAL GENERAL MEETING of all shareholders shall be held at the registered office of the Company at 18, Boulevard Royal, Luxembourg, commencing at 11 a.m. on Monday 19th of March, 1991, to consider and vote upon the following agenda:

- Submission of Directors' report for the year to 31st December 1990.
- Approval of the Annual Accounts for the year to 31st December 1990.
- Discharge to Directors of their duties.
- Payment of dividend.
- Acceptance of the resignation of two directors of the company and discharge to them of their duties.
- Approval of the appointment of two new directors.

Holders of bearer shares who wish to attend the meeting should deposit their shares at the registered office of the Company at least one business day before the meeting. Copies of the Annual report, including financial statements, will be available at the registered office 15 days before the date of the meeting.

YAMATO EQUITY WARRANT FUND
Sec 444 d'Investissement à Capital Variable
18, Place de la Gare
L-1461 LUXEMBOURG
R.C. Luxembourg N° B 30 342

The Board of Directors convenes the shareholders of YAMATO EQUITY WARRANT FUND SICAV to the General Ordinary Meeting, to be held at 18, Boulevard Royal, Luxembourg, on

March 19th, 1991 at 11.00 a.m.

with the following agenda:

AGENDA

- Report of the Board of Directors
- Report of the Auditor
- Approval of the Financial Statements of the fiscal year ended December 31, 1990
- Allocation of Remits
- Discharge of the Directors
- Renewal of the mandate of the Auditor
- Statutory Election

In order to attend the meeting, the owners of bearer shares will have to deposit their shares 5 clear days before the meeting at the registered office of the Company at one of the agencies of the BANQUE DE LUXEMBOURG.

The shareholders are advised that the Meeting will deliberate without attendance condition and that decisions will be taken by a simple majority of the shares present or represented at the meeting.

The Board of Directors

This announcement appears as a matter of record only.

NEW ISSUE

26th February, 1991



THE EXPORT-IMPORT BANK OF JAPAN

(Incorporated under The Export-Import Bank of Japan Law)

U.S.\$250,000,000

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UBS Phillips & Drew Securities Limited

Goldman Sachs International Limited
LTCB International Limited
Paribas Capital Markets Group
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Swiss Bank Corporation
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Industrial Bank of Finland Limited

UA 15,000,000
7% Guaranteed Bonds 1978-1993

On February 14, 1991, Bonds for the amount of UA 15,000,000 have been drawn in the presence of a Notary Public for redemption on April 5, 1991.

The following Bonds will be redeemable coupon due April 5, 1992 and following attached:

1891 to 2595 incl. 2864 to 3121 incl. 3291 to 3301 incl.
2596 to 2860 incl. 3122 to 3286 incl. 3302 to 3410 incl.

Amount outstanding: UA 3,000,000

Bonds previously drawn and not yet presented for redemption:

241 to 243 incl.	6236	6961 to 6978 incl.
542	6322 and 6323	6980 to 6988 incl.
579 to 585 incl.	6372	7002 to 7009 incl.
1298 and 1299	6381 to 6383 incl.	7019 and 7020
1672	6454 and 6455	7080 to 7090 incl.
1786 to 1789 incl.	6494 to 6500 incl.	7098 and 7100
5702 to 5709 incl.	6518 to 6524 incl.	7109 and 7110
5716	6525 and 6526	7119 to 7123 incl.
5724	6581 to 6586 incl.	7189 to 7192 incl.
5748 to 5752 incl.	6642 to 6644 incl.	7898
5775 to 5782 incl.	6661 and 6662	7959 and 7960
5794 and 5795	6671 to 6674 incl.	7991 to 7998 incl.
5800	6774 and 6775	8025
5805 to 5828 incl.	6806 and 6807	8048 and 8049
5839 to 5947 incl.	6823 to 6826 incl.	8075 and 8076
5980 and 5981	6831 to 6835 incl.	8104
6001 and 6002	6841 to 6852 incl.	8116 to 8119 incl.
6106 to 6117 incl.	6854 and 6855	8241
6188	6858	8415
6208 to 6211 incl.	6867 to 6915 incl.	8427
6220	6924 to 6930 incl.	8429 to 8432 incl.

Luxembourg, February 27, 1991

The Fiscal Agent

KREDIETBANK
S.A. LUXEMBOURGEOISE

Notice to the Warrant Holders of TOKYO ELECTRON LIMITED

U.S.\$150,000,000
5 per cent. Bonds 1992 with Warrants
(the "Warrants")

to subscribe for Shares of Common Stock
of Tokyo Electron Limited

Tokyo Electron Limited whose registered head office is at 3-1, Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo, Japan (the "Company") amended its Articles of Incorporation, by resolution of the Annual General Meeting of Shareholders of the Company held on 20th December, 1990, to the effect that the business year of the Company commences on 1st day of April each year and ends on 31st day of March of the following year.

Accordingly the Fiscal Period (as defined in Clause 1 of the Instrument dated as of 3rd November, 1988 (the "Instrument")) in respect of the Warrants was changed to read with effect from 20th December, 1990 as follows:

"Fiscal Period" means, as the context may require, a Period (i) commencing on 1st April and ending on the succeeding 31st March, (ii) commencing on 1st April and ending on the succeeding 30th September, or (iii) commencing on 1st October and ending on the succeeding 31st March; provided that if the Company shall change its financial year so as to end on a date other than 31st March, the provisions of items (i), (ii) and (iii) above shall be deemed to be amended *mutatis mutandis*;

It means that "Dividend Accrued Period" as defined in Condition 4 of the Terms and Conditions of the Warrants was also changed to each six month period ending on 30th September and 31st March.

Notice is hereby given of each effect pursuant to Clause 4 (e) (iii) of the Instrument.

TOKYO ELECTRON LIMITED
By: THE SANWA BANK, LIMITED
as Principal Paying Agent

Dated: 27th February, 1991

GREECE FUND LIMITED

International Depository Receipts
evidencing 100 shares of USD 0.01 each

INTERIM REPORT

The Directors of Greece Fund Limited announce the
unaudited results for the six months ended
31 December 1990.

	At 31 December 1990	At 31 December 1989
Assets applicable to ordinary capital	US\$ 801	US\$ 803
Net Asset value per share	\$11.28	\$11.48
Diluted net asset value per share (assuming conversion of warrants)	\$12.00	\$12.42
Dividends & Interest from investments	2,002	867
Deposit Interest	122	58
Total Revenue	2,179	955
Expenses and interest	886	538
Deficit before taxation	1,293	519
Taxation on the revenue	850	401
Deficit after taxation	443	118
Deficit per share (note 1) 22.07 cents		6 cents

Note:
1. Asset values and earnings per share are based on 2,007,800 shares in issue (1989: 2,007,500)

As a result of the timing of dividend payment by Greek companies, the Fund receives the majority of its investments income in the first six months of its financial year. The Fund pays Greek withholding tax on such income at rates of between 42 and 45 per cent which is not recoverable. In the absence of significant income from investments in the second half year the directors anticipate that there will be a deficit of revenue after taxation in that period and for the year as a whole and that the Fund will not pay a dividend for the year ending 30 June 1991.

During the six months to 31 December 1990, the net asset value of the Greece Fund Limited decreased by 34% compared to a decrease in the Athens Stock Exchange General Index of 37.8%, both expressed in US Dollars terms. During this period, the Drachma appreciated by 3.5% against the US Dollar.

The Interim Report will be sent by mail to registered shareholders at their registered address on 11 March 1991 and will be made available to holders of depository receipts at the offices at the offices of Schroder Investment Manager Limited, 33 Guter Lane, London EC2V 6AS.

Depository: Morgan Guaranty Trust Company of New York, Brussels
Office, 35 av. des Arts, 1040 Brussels.

JP Morgan



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INTERNATIONAL CAPITAL MARKETS

Resilient durables data lead Treasuries lower

By Patrick Harverson in New York and Tracy Corrigan in London

STRONGER-than-expected durable goods orders data and continued uncertainty about the Gulf war left US bond prices broadly lower yesterday morning during light trading.

At midday the benchmark 30-year government bond was down 1/4 at 97 1/4, to yield 8.083 per cent.

The two-year note was also lower, down 1/4 at 99 1/4, yielding 6.988 per cent.

The market weakened from the outset after hopes of an imminent interest rate cut were deflated by news from the commerce department that durable goods orders in January had fallen by 0.7 per cent.

Analysts had predicted a decline of between 1.5 per cent and 2 per cent.

If the contribution of defence orders to the data is excluded, durable goods orders last month dropped only 0.1 per cent, suggesting that while US industry is in a slump, the contraction has slowed almost to a stop.

The figures were taken by the market as an indication that the recession may not be as steep as some feared, a point backed by a report from the National Association of Business Economists, which forecast only a modest slowdown in economic activity this year.

The Federal Reserve again intervened in the credit market to push the Fed funds rate lower.

Technical factors continue to drain reserves from the system, sending the rate at which banks lend to each other higher.

Yesterday the Fed concluded \$2bn worth of customer repurchase agreements to soften the Fed funds rate, which initially showed no reaction, staying at its opening level of 6 1/4 per cent.

Government bond traders in Europe say that they have now discounted an early end to the Gulf war and are focusing more closely on economic fundamentals.

Prices in most European bond markets fell 1/4 to 1/2 point, as dealers took the view that an early end to the war

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	09/92	103.25	-0.10	10.78	10.69	11.38
	9.000	03/00	94.05	-0.02	10.00	9.89	10.22
	0.000	10/08	93.20	-0.02	9.76	9.65	9.95
US TREASURY	7.750	02/01	98.28	-0.02	8.71	8.63	8.01
	7.875	02/21	97.22	-0.02	8.08	7.98	8.18
JAPAN	No 119	4/00	104.00	-0.10	8.71	8.63	8.70
	No 129	5/00	103.25	-0.02	8.36	8.27	8.54
GERMANY	9.000	01/01	104.30	-0.10	8.34	8.24	8.73
FRANCE	ETAN	02/96	98.8476	-0.22	9.28	9.22	8.87
	OAT	01/01	102.7000	-0.50	8.05	8.07	8.23
CANADA	9.750	06/01	107.2500	-0.10	8.58	8.43	8.82
NETHERLANDS	5.500	03/01	98.4500	-0.30	8.59	8.48	8.67
AUSTRALIA	3.000	07/00	108.5015	-0.30	11.49	11.38	11.83
BELGIUM	10.000	09/00	104.5500	-0.30	8.24	8.18	8.47

London closing, "denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds, others in decimals

Technical Data/ATLAS Price Sources

may speed recovery from economic recession, making conditions more favourable for equities than for bonds.

The bond markets have rallied strongly, but have reached a stage of exhaustion, said Mr Neil McKinnon, chief economist at Yamaichi International.

However, other analysts said it might take some time for economies to dig their way out of recession.

"The trend into recession is stronger and sharper than had been thought," said Mr Simon Briscoe, an analyst at Midland Montagu.

Also, the further weakening of confidence engendered by the outbreak of war in the Gulf last month has yet fed through into economic data.

But the steady fall in yields over recent months is not expected to continue.

The Japanese and German bond markets could be most vulnerable in the post-war climate: Japan and Germany may be expected to make substantial extra contributions to the reconstruction bill in the wake of the Gulf war, based both on the size of their economies and the lack of military contribution by either state to the allies' war effort, analysts said.

The bulk of such financing would be likely to be raised through the issuance of government bonds.

The yield on the benchmark no 129 Japanese government bond has already returned to 6.35 per cent, from 6.2 per cent at the end of last week.

Concern that the need for further bond issuance to help reconstruction in the Gulf balanced news of an increase

in German income tax - better for the bond markets because income tax is not inflationary.

The Bund future on the London International Financial Futures Exchange (Liffe) ended at 85.24, down 0.40 point.

The performance of the UK gilts market will also be sensitive to the value of new issues.

Analysts say the market should be able to absorb issuance of £1bn a month, or less.

The gilt future on Liffe ended at 92 1/4, down from 92 3/4 at Monday's close.

Trading volume was moderate, as most investors, in this and other markets, are waiting for the Gulf war to be resolved before making key investment decisions.

● Liffe is changing the contract specification of its Ecu bond futures contract, which starts trading on March 6.

The contract will be based on a notional Ecu bond with a 9 per cent coupon, rather than 10 per cent, Liffe announced yesterday.

The change reflects the substantial drop in secondary Ecu bond yields in recent months, as well as the addition to the list of deliverable bonds of the UK's Ecu 2.5bn issue of 9 1/4 per cent 10-year bonds and the European Investment Bank's 10 per cent bonds due 2001.

The change means that Italy's 10 1/4 per cent issue due 2000 is now likely to be the cheapest deliverable bond.

There are now six deliverable bond issues totalling close to Ecu 10bn.

Chile eases restrictions on capital investment

By Leslie Crawford in Santiago

CHILE'S central bank has authorised commercial banks to invest up to 25 per cent of their dollar time deposits abroad, in what is seen as a first step towards freeing the movement of capital in and out of the country.

The present foreign investment rules allow multinational firms to establish themselves in Chile with relative ease, but they impose severe restrictions on Chilean companies that wish to invest abroad. Like much of Latin America, these restrictions were aimed at stemming capital flight following the 1982 debt crisis.

However, Chile's stable economy and the successful rehedging of its \$50m commercial bank debt last year have convinced monetary authorities that capital flight is no longer a serious risk.

In fact, the central bank has been battling with the Chilean legislature to allow foreign investment in the country as a result of the high price of copper - Chile's main export - a foreign investment boom and speculative capital attracted by the high interest rates offered on the central bank's own dollar-denominated paper.

As a result, the central bank's international reserves shot up to \$5.35bn by the end of last year from \$2.95bn in 1989, while dollar deposits in the commercial banking system now total more than \$1.5bn.

The new regulations will allow commercial banks to invest up to \$400m abroad in blue-chip stock and gilt-edged securities. Central bank officials say this is not a short-term measure to halt the appreciation of the Chilean peso against the dollar, but a tentative step towards the liberalisation of the country's capital account.

Investment analysts do not anticipate a flow of dollars out of the country. Chilean bankers say they are studying the various options before them and some investments may begin to take place in the second half of the year.

The next step will be for the central bank to allow Chilean companies, other than banks, to invest abroad. Mr Ricardo Ffrench-Davis, the bank's director of studies, said foreign exchange regulations would be reviewed to allow Chilean companies to establish subsidiaries abroad, buy into foreign groups or to seek joint ventures outside Chile.

Exporting companies in mining, forestry and agribusiness have been clamouring for this, as having foreign branches would improve their marketing network and make them less dependent on foreign middle businesses.

However, for this to become an attractive proposition, Chile must first negotiate double taxation agreements with other countries. Few large Chilean corporations, such as Codelco, the state copper concern, the steelmaker Compania de Aceros del Pacifico and the paper manufacturer CMPC, have offshoots in the US and elsewhere, but they were set up as independent companies due to the absence of double taxation agreements. This in turn has restricted capital flows between the parent companies and their foreign units.

Chile's private pension funds, which hold more than 1,875bn pesos (\$5.6bn) in assets, would also welcome regulations allowing them to invest abroad.

The pension funds argue that Chile's capital markets are too small to absorb their huge volume of savings, which account for 25 per cent of the country's gross domestic product. Investing some of these savings abroad would allow pension funds to diversify their portfolios.

ADB agrees direct borrowing of Y15bn

By Greg Hutchison in Manila

THE Asian Development Bank has agreed with a syndicate of Japanese banks and insurance companies, lead-managed by Bank of Tokyo, a direct borrowing of Y15bn (\$114m), the ADB said yesterday.

The borrowing is in two tranches: Y7.5bn maturing in seven years, carrying a variable interest rate based on the Japanese long-term prime rate reviewed twice yearly; and Y7.5bn with a maturity of 15 years and carrying a maximum interest rate of 7.5 per cent with an option to reset after two years.

Proceeds of the issue will be included in the ordinary capital resources of the bank.

Total funds raised by the ADB in yen, including this borrowing, amount to Y758.5bn, of which Y451.9bn is outstanding.

FT/ABD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Latest prices at 6:30 pm on February 26

U.S. DOLLAR STRAIGHTS						Issued	Con.	Red	Offer	Yield	Week ago	Month ago
ALBERTA NATIONAL 5 1/8% 95	150	101 1/4	01/91	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 95	150	101 1/4	01/91	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 96	150	101 1/4	01/92	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 97	150	101 1/4	01/93	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 98	150	101 1/4	01/94	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 99	150	101 1/4	01/95	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 00	150	101 1/4	01/00	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 01	150	101 1/4	01/01	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 02	150	101 1/4	01/02	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 03	150	101 1/4	01/03	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 04	150	101 1/4	01/04	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 05	150	101 1/4	01/05	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 06	150	101 1/4	01/06	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 07	150	101 1/4	01/07	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 08	150	101 1/4	01/08	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 09	150	101 1/4	01/09	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 10	150	101 1/4	01/10	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 11	150	101 1/4	01/11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 12	150	101 1/4	01/12	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 13	150	101 1/4	01/13	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 14	150	101 1/4	01/14	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 15	150	101 1/4	01/15	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 16	150	101 1/4	01/16	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 17	150	101 1/4	01/17	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 18	150	101 1/4	01/18	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 19	150	101 1/4	01/19	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 20	150	101 1/4	01/20	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 21	150	101 1/4	01/21	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 22	150	101 1/4	01/22	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 23	150	101 1/4	01/23	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 24	150	101 1/4	01/24	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 25	150	101 1/4	01/25	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 26	150	101 1/4	01/26	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 27	150	101 1/4	01/27	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 28	150	101 1/4	01/28	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 29	150	101 1/4	01/29	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 30	150	101 1/4	01/30	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 31	150	101 1/4	01/31	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 32	150	101 1/4	01/32	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 33	150	101 1/4	01/33	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 34	150	101 1/4	01/34	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 35	150	101 1/4	01/35	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 36	150	101 1/4	01/36	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 37	150	101 1/4	01/37	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 38	150	101 1/4	01/38	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 39	150	101 1/4	01/39	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 40	150	101 1/4	01/40	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 41	150	101 1/4	01/41	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 42	150	101 1/4	01/42	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 43	150	101 1/4	01/43	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 44	150	101 1/4	01/44	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 45	150	101 1/4	01/45	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 46	150	101 1/4	01/46	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 47	150	101 1/4	01/47	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 48	150	101 1/4	01/48	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 49	150	101 1/4	01/49	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 50	150	101 1/4	01/50	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 51	150	101 1/4	01/51	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 52	150	101 1/4	01/52	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 53	150	101 1/4	01/53	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 54	150	101 1/4	01/54	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 55	150	101 1/4	01/55	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 56	150	101 1/4	01/56	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 57	150	101 1/4	01/57	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 58	150	101 1/4	01/58	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 59	150	101 1/4	01/59	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 60	150	101 1/4	01/60	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 61	150	101 1/4	01/61	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 62	150	101 1/4	01/62	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 63	150	101 1/4	01/63	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 64	150	101 1/4	01/64	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 65	150	101 1/4	01/65	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 66	150	101 1/4	01/66	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 67	150	101 1/4	01/67	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 68	150	101 1/4	01/68	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 69	150	101 1/4	01/69	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 70	150	101 1/4	01/70	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 71	150	101 1/4	01/71	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 72	150	101 1/4	01/72	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 73	150	101 1/4	01/73	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 74	150	101 1/4	01/74	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 75	150	101 1/4	01/75	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 76	150	101 1/4	01/76	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 77	150	101 1/4	01/77	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 78	150	101 1/4	01/78	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 79	150	101 1/4	01/79	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 80	150	101 1/4	01/80	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 81	150	101 1/4	01/81	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 82	150	101 1/4	01/82	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 83	150	101 1/4	01/83	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 84	150	101 1/4	01/84	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
ALBERTA PROV 5 1/8% 85	150	101 1/4	01/85	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	

Ecu price war may damage sector

By Simon London

THE European Community yesterday launched two highly competitive Ecu-denominated bonds, leading participants to conclude that extreme competition among firms was already damaging the sector.

The first deal to be launched was a Ecu500m addition to the EC's outstanding Ecu200m 9% per cent issue maturing 1996. The paper was priced at 102 1/2, a discount comparable to the outstanding paper in the secondary market. The lead manager was Credit Suisse First Boston.

INTERNATIONAL BONDS

However, the Ecu bond market softened during the day with yields at the five-year maturity rising by about 10 basis points. The paper traded at 102 1/2, a discount equivalent to full fees.

More controversially, the EC launched a Ecu500m seven-year deal lead managed by Dresdner Bank. The paper pays a coupon of 9% per cent and was reoffered to investors at the fixed price of 100.85 to yield 9.08 per cent.

The pricing was seen as far too aggressive and several leading houses declined to participate in the deal. At launch the bonds offered a yield of 9 basis points less than the comparable French government Ecu-denominated OAT, although this spread widened to about 15 basis points when the market cleared. The lead manager said the syndicate would be broken today, leaving the bonds free to trade. Participants in both deals said over-competition in the market had encouraged houses to bid too tightly for mandates.

RMC, the UK construction materials group, made its first venture into the international capital markets since 1971, with a Ecu75m offering of convertible capital bonds.

The 15-year paper offers investors a 6% per cent coupon and the right to convert into RMC ordinary shares at 80p, a premium of 14 per cent to the mid-market share price before the deal was priced yesterday morning.

On Monday night the share price hit a 12-month high of

7 1/2p before falling slightly. The paper was issued by RMC Capital, a special purpose subsidiary, and guaranteed on a subordinated basis by the parent company.

The bonds will be accounted for as shareholders' funds by the borrower. The move will cut stated balance sheet gearing from 35 per cent to below 25 per cent, according to Mr Derek Jenkins, group finance director.

The lead manager reported buying from continental European institutions as well as UK investors. The deal was launched at Ecu5m but soon increased to Ecu75m, the maximum that could be issued without offering existing shareholders clearback under guidelines set by UK institutional investors.

Nippon Telegraph and Telephone continued the steady flow of Canadian dollar paper with a Cdn200m 10-year deal lead managed by Deutsche Bank Capital Markets.

The bonds carry a coupon of 10% per cent and were offered to investors at the fixed offer price of 99.25 to yield 8 1/2 per cent over Canadian government paper.

The deal had been ready for launch since the middle of last week but the issuer chose to wait until the interest rate and currency swaps opportunities moved in its favour.

The lead manager said that recent issues had revealed strong interest in Canadian dollar paper from retail and institutional investors in Germany. The bonds traded at 99.25 bid, inside full fees of 87 1/2 basis points.

Philip Morris, the US tobacco and food giant, became the latest borrower to face a split of the big three Swiss banks. Union Bank of Switzerland and Swiss Bank Corporation declined to participate in a SFr250m five-year deal lead managed by Credit Suisse.

The paper, which pays a coupon of 7 per cent and was launched at a price of 102, was said to be too expensive by the dissenting banks.

Last week, SBC and CS declined invitations to join a SFr150m deal for Air France lead managed by UBS for similar reasons.

Credit Fonder, the French public sector construction finance institution, yesterday offered Ecu100m of 10-year paper in a hybrid domestic/international market issue.

The bonds are fungible with the borrower's existing Ecu120m domestic bond issue, maturing January 2000, launched last year.

The bonds carry a coupon of 10% per cent and were offered to investors at the fixed offer price of 99.25 to yield 8 1/2 per cent over Canadian government paper.

The deal had been ready for launch since the middle of last week but the issuer chose to wait until the interest rate and currency swaps opportunities moved in its favour.

The lead manager said that recent issues had revealed strong interest in Canadian dollar paper from retail and institutional investors in Germany. The bonds traded at 99.25 bid, inside full fees of 87 1/2 basis points.

The issue was also syndicated as a fixed-price offering, the first French domestic issue to follow the syndication technique favoured in the Euro market.

However, the syndicate was composed of French banks led by Société Générale, Crédit Lyonnais, and Caisse des Dépôts. The bonds will be listed in Paris and the issue is registered with the French authorities.

Lead manager Société Générale said the issue had succeeded in attracting international interest although buying was dominated by French investors. At the fixed offer price of 98.83, the paper offers a spread over French government paper of 87 1/2 basis points.

US banks have a worse credit quality than European and Asian banks, according to Salomon Brothers, Reuter reports from Washington.

He noted that Spanish banks had shown the best credit quality improvement over the past six to seven years. However, in the global context, US banks stood a little above average with regard to net income, he said.

He added that the ratio of market capitalisation to gross domestic product in the US in 1989 stood at 1.9 per cent against 40.3 per cent in Japan.

Ayala Land has a contract to develop the site as a business district. Ayala Corp owns Makati, Manila's principal financial district.

The funds will be used principally for financing a road network. The units, according to a prospectus, are redeemable in instalments of 20 per cent over a three-year period and pay 16 per cent tax-free a year.

Cebu to float 300m pesos of equity bonds

By Greg Hutchison in Manila

CEBU, a province of the Philippines which unashamedly bills itself to foreigners as "the island in the Pacific", is to float 300m pesos (\$10.7m) of equity bonds as a first step to meeting a Manila funding shortfall.

The "Cebu Equity Bond Unit", or CEBU, are a first for cash-starved Manila and are being talked of in official circles as a model for future development funding. Issue managers are Development Bank Corp Philippines and Bank of the Philippine Islands.

Strong interest is reported from bankers and brokers because of Cebu's sustained economic growth in recent years. Over the past four years, Cebu's economy has grown by more than three times the national yearly average of about 4 per cent.

Each unit holder will receive payment via shares in Property Ventures and Development Bank (CPVD), a 1.08m peso joint venture between Cebu Province and Ayala Land, the real estate arm of Ayala Corp, one of the Philippines' largest companies.

Cebu intends selling to the public, including foreigners, through "B" shares, its entire 75 per cent interest in CPVD, which owns property in the city of Cebu, increasingly the focus of investment from overseas.

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ADR trading volumes on US exchanges rise 25%

By Stephen Fidler, Euromarkets Correspondent

TRADING volumes in American depositary receipts - foreign shares packaged for US investors - rose by 25 per cent on US exchanges last year, despite the sluggishness of stock markets, according to a survey published by the Bank of New York.

The bank, a leading US depositary, estimated that exchange trading volume rose to \$16bn last year from about \$12bn in 1989. However, most of this increase came in the first half of the year.

The invasion of Kuwait by Iraqi forces in August led to a

are now investing more in foreign shares - but also the emergence of buying of ADRs by small investors.

It said a trend towards linking international share portfolios to indexes would add liquidity to the ADR market, citing an independent survey of 500 stockbrokers which indicated 82 per cent preferred ADRs to direct investment in the ordinary shares of foreign companies.

UK companies continue to dominate the ADR market - they were responsible for 57 per cent of trading volume in the ordinary shares of foreign companies last year, followed by Dutch companies (22 per cent) and Spanish companies (4 per cent).

But the bank also reported growth in sponsored ADR programmes for Latin America. The first Chilean company, the privatised telephone company, was traded on the New York

Stock Exchange, while Mexican privatisations also added to volume. Further privatisations, including those in Venezuela and Argentina, may be traded in ADR form, the bank said.

Bank officials said the development of a private placement market under the Securities and Exchange Commission's Rule 144a had not damaged the ADR market as had once been thought. Most 144a offerings were now done in ADR form. The creation of ADRs avoided the possibility of an almost automatic flowback of ordinary shares to the home market once the three-year "lock-up" period for a private placement expired.

Some companies were also expected to create parallel public ADR programmes to run alongside their 144a ADR programmes, as had the Swedish company Atlas Copco.

INTERNATIONAL EQUITY ISSUES

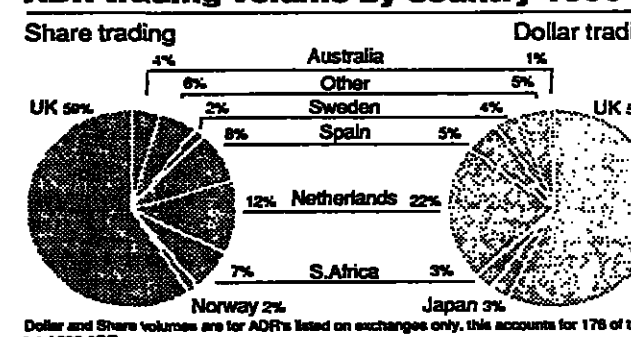
fall in trading volumes from which the interest in foreign equity only this month - which by early estimates could be a record.

If ADR trading on the over-the-counter market is added, 1990 trading volume totalled an estimated \$125bn. The bank made no estimate for 1989 of this figure.

However, the capital raised through new issues of ADRs fell last year to \$1.74bn in 11 offerings from \$2.61bn in 1989, raised in 20 offerings. The peak year was 1987 when \$4.59bn in new capital was raised.

The bank suggests that the increase in trading volume reflected not only the continued growth of US institutional investor interest in foreign markets - smaller institutions

ADR trading volume by country 1990



Israel stock market move

THE Bank of Israel is to permit foreign companies to raise funds on the Tel Aviv stock market through stocks and bonds, Reuter reports from Jerusalem.

But the amount of money foreign companies will be allowed to take out of the country will be limited to 20 per cent of any new issue.

Previously the central bank had turned down applications by foreign companies to issue shares on the stock market.

New futures exchange in US

A NEW futures exchange has announced it will begin trading in the US, writes Barbara Durr.

The Minneapolis-based Twin Cities Board of Trade (TCBT) said the Commodity Futures Trading Commission had granted it contract market status to trade futures on currency cross rates between sterling and the D-Mark.

Mr Sean O'Toole, TCBT president, said cross rate currency trading was the fastest growing segment of the cash foreign exchange markets.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Tokai Construction(a) ¹	170	4 1/4	100	1995	2 1/4/1 1/2	Yamachi Int.
Sumitomo Bakelite Co.(a) ²	120	4 1/4	100	1995	2 1/4/1 1/2	Nomura Int.
ECUs						
European Community(a) ³	500	9 1/4	100.85	1998	30/15p	Dresdner Bank AG
European Community(a) ⁴	500	9 1/4	102 1/4	1998	1/4	CSFB
STERLING						
RMC Capital Ltd(b) ⁵	75	8 1/4	100	2000	2 1/2/1 1/2	J Henry Schroder Wagg
CANADIAN DOLLARS						
Nippon Telegraph & Telephone(c) ⁶	200	10 1/4	(c)	2001	5 1/2	Deutsche Bk Cap.Mkts.
D-MARKS						
KYKON Corp(a) ⁷	100	4 1/2	100	1995	2 1/4/1 1/2	Dresdner Bank AG
Shimizu Wire Co.(a) ⁸	50	4 1/2	100	1995	2 1/4/1 1/2	Yamachi Int.
IFC Machine Ind.(a) ⁹	50	4 1/2	100	1995	2 1/4/1 1/2	Nikko Secs.GmbH
SWISS FRANCH						
Philip Morris Co.(a) ¹⁰	250	7	102	1998	-	Credit Suisse
Kingdom of Belgium(a) ¹¹	100	6 1/4	101 1/2	2001	-	SBG
LIRE						
Denmark-Benz Int.Fin.Sv.(a) ¹²	100bn	12 1/2	101.85	1998	1 1/2/1 1/4	Bca.Com.Int.italiana
YEN						
Osaka Gas Co.(a) ¹³	300n	7	101	1998	1 1/2/1.65	Nomura Int.
Marubeni Int.Fin.Plc(a) ¹⁴	7.35	101.35	1998	1 1/2/1 1/4	Yamachi Int.	
Yokohama Specie Bank(a) ¹⁵	100n	6 1/2	101.35	2001	-	SBG

¹⁻¹⁵Paribond placement. ¹Convertible. ²With equity warrants. ³Final terms. ⁴Non-callable. ⁵ Callable at par after 5 years subject to 130% rule. Callable at par after 8 years. Conversion premium fixed at 14%. ⁶ Fixed price reoffer - 98.25% Non-callable. ⁷ Coupon pays 7.25% for first 3 months, then steps up to 8 1/2% for 21 months, then steps down to 6.45% (2nd)

a) Private placement. b) Convertible. c) With equity warrants. d) Fixed price offer. e) Non-callable. f) Callable at par after 5 years, subject to 100% rule. Callable at par after 8 years. Conversion premium fixed at 14%. g) Fixed price offer. h) 98.25%. Non-callable. i) Coupon pays 7.25% for first 3 months, then steps up to 8 1/2% until maturity. Non-callable. j) Fungible with existing Ecu200m debt. Non-callable.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

The Financial Times Ltd 1990. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Tuesday February 26 1991

Figures in parentheses show number of stocks per section

Tuesday February 20 1991									
Feb 20 Feb 20 Feb 20									
agaport									
Index No.	Day's Change %	Est. Earnings Yield (%) (Mar.)	Great Div. Yield (%) (Q2%)	Est. P/E Ratio (91)	1991 to date	Index No.	Index No.	Index No.	Index No.
812.35	-0.1	13.25	5.92	9.19	0.85	813.36	804.19	802.04	850
1135.50	+0.7	12.76	5.46	9.64	0.55	1134.57	1106.03	1102.17	1032
1283.69	+0.8	13.09	6.09	9.27	3.90	1274.03	1252.47	1246.27	1019
2223.39	+0.4	12.69	6.00	9.64	0.80	2196.28	2181.16	2144.85	980
1725.02	-1.1	8.99	5.08	14.79	1.55	1775.23	1769.52	1768.18	1870
412.10	+0.6	17.67	6.01	9.62	0.86	411.77	408.67	408.87	419
411.25	+0.7	14.04	6.28	8.35	1.15	408.34	402.66	398.73	384
446.13	+0.5	20.45	7.71	6.04	0.00	446.32	442.98	444.46	446
319.28	-1.9	15.60	7.53	7.47	0.00	325.44	323.25	322.34	351
2409.15	+0.2	11.83	5.70	9.77	0.71	2422.77	2403.23	2397.10	1543
1435.04	-0.6	9.07	3.93	13.69	3.44	1337.93	1323.35	1320.17	1228
1468.19	+0.5	9.52	3.62	13.69	0.80	1469.36	1449.84	1445.85	1253
1123.82	-0.5	10.21	4.32	10.64	1.69	1131.41	1130.43	1130.43	1240
2499.19	-0.9	8.47	3.10	15.44	0.35	2532.20	2502.20	2494.73	2278
282.77	-0.1	6.35	2.71	18.69	0.91	284.72	280.94	280.40	2404
1270.62	+0.8	10.75	5.39	11.04	0.96	1280.31	1268.55	1279.07	1247
1326.06	+0.1	11.01	5.19	11.46	7.81	1324.27	1301.83	1294.17	101
598.46	+0.4	8.79	3.75	13.16	0.30	600.56	597.27	595.79	765
1287.81	+0.1	11.83	4.25	13.16	1.76	1285.68	1267.98	1268.36	776
446.13	+0.7	12.53	7.85	10.00	0.56	451.40	448.29	455.09	776
1321.08	+0.1	11.50	5.34	10.52	2.56	1329.31	1315.90	1314.77	1154
1080.89	+0.2	11.78	5.09	10.32	0.26	1085.75	1062.16	1061.47	104
1287.81	+0.1	11.83	4.25	13.16	1.76	1285.68	1267.98	1268.36	776
1477.12	+0.1	11.56	6.96	10.32	6.83	1475.04	1456.10	1445.69	1154
2072.54	+0.1	12.61	4.91	9.78	1.82	2072.03	2059.79	2028.07	2147
1319.35	+0.3	11.92	6.29	10.95	0.00	1320.60	1316.82	1325.50	1154
2287.81	+0.1	10.42	12.21	12.94	0.00	2271.22	2258.28	2216.75	1154
1408.51	+0.6	14.08	5.82	7.94	39.69	1422.54	1401.71	1382.77	1154
1771.94	+0.5	10.68	5.11	10.90	3.71	1788.45	1775.36	1769.76	1827
1141.66	+0.5	10.71	4.79	11.43	24.71	1147.68	1139.72	1132.14	1123
2252.86	+0.3	11.48	5.89	11.40	34.91	2249.84	2242.41	2232.92	1154
1235.79	+0.4	10.82	4.94	11.42	4.88	1240.91	1229.71	1227.12	1154
778.41	-0.5	-	6.15	-	2.87	782.03	771.08	774.62	805
827.95	+0.6	18.83	7.10	7.85	5.83	820.86	814.77	827.57	805
1607.47	+0.7	5.31	-	-	0.00	1609.43	1604.13	1608.94	805
1607.47	+0.7	5.31	-	-	0.00	1609.43	1604.13	1608.94	805
1045.98	+0.8	7.07	6.16	18.53	7.94	1057.66	1054.81	1059.56	1059
1045.98	+0.8	7.07	6.16	18.53	7.94	1057.66	1054.81	1059.56	1059
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1045.98	+0.8	7.07	6.16	18.53	7.94	1057.66			

UK COMPANY NEWS

City disappointed by Natwest dividend

By David Lascelles, Banking Editor

NATIONAL Westminster Bank's pre-tax profits of £504m, though depressed by high bad debt provisions, were much in line with market expectations; but the increase of only 5 per cent in the dividend disappointed some analysts after Lloyds Bank's 15 per cent rise last Friday.

Lord Alexander, NatWest's chairman, said that "in a period of severe economic downturn and uncertainty" it was appropriate to exercise caution.

He did not expect to see any recovery in the UK economy until the second half of the year at the earliest, "so conditions this year will remain harsh".

The result marked an increase of 25 per cent over 1989, a year when NatWest

made over £1bn of provisions against Third World debt.

This time round, the bank had to more than double its provisions for domestic bad debts to £685m.

There was also a large additional provision for international loans, not counting Third World debt, of £542m. This related mainly to NatWest's US operations, which have been badly hit by the collapse of the real estate market in the north east.

Mr Tom Frost, chief executive, said the results "clearly require firm action, and we are taking it". He said NatWest was raising provisions, improving credit controls, moving to increase income and controlling costs.

The main contributor to the total was UK financial services

with £591m. This result was sharply down on the previous year's £948m because of the UK recession. It included a strong £97m contribution from NatWest Insurance Services, the group's growing insurance broking arm.

Corporate and institutional banking made £215m, reversing a loss of £455m the previous year when Third World debts took their toll. As a result of a policy of asset sales, NatWest has reduced its Third World exposure from £1.5bn to £445m.

International businesses lost £257m, enlarging the previous year's loss of £43m. The main culprit was the US subsidiary which lost £167m. NatWest has already announced a series of measures to deal with the problem. The Australian operation lost £37m. Market condi-

tions in other countries were also difficult. International private banking showed an improved performance.

The loss of £49m at NWIB, the investment banking arm, extended a long string of losses at this troubled end of the group. All parts of NWIB were hurt by depressed securities markets and corporate finance, though the main losses were in equity dealing. Lord Alexander said the group would have to decide within two years at the most what to do with NWIB.

NatWest's group balance sheet grew by 4 per cent to £121bn. The capital ratios remained adequate with the group's "Basle" rating remaining unchanged at 9.1 per cent, compared with an international agreed minimum of 8 per cent.

The group's total costs rose by 12 per cent to £3.99bn, pushing the cost to income ratio from 86.6 per cent to a high level of 70.9 per cent. Mr Frost said that NatWest hoped to save 15,000 jobs on the banking side over the period of 1989-1990, with 9,000 more to go. This would lead to cost savings of at least £400m a year by 1993.

The large size of NatWest's general provisions, which are not allowable for tax, and the large losses abroad which cannot be offset against UK tax, left the group with an unusually high tax charge of 58 per cent.

The board is recommending an unchanged final dividend of 11.375p, bringing the total to 17.5p, an increase of 5 per cent.

Annual meeting proves a tough fixture for Spurs' shareholders

By Jane Fuller

DISGRUNTLED shareholders in Tottenham Hotspur, owner of the first division football club, came away from the annual meeting with little to show for their series of attacks on the board.

The 3½-hour, sometimes acrimonious meeting at the club's White Hart Lane ground in north London, proved to be a tough fixture for the 700 shareholders who packed the hall.

They failed to get a clear view of either the future, in the form of a financial rescue, or the past, notably the drain on footballing profits caused by ill-fated forays into textiles.

Nor did they see additional heads roll among the remaining directors who presided over a build-up of £12.3m bank debts and a £1m pre-tax loss in the year to May 31 1990.

The shares have been suspended at 91p since last October, and Midland Bank is providing short-term backing while asset disposals and a capital injection are arranged.

As Mr Paul Bobroff, former chairman, was not up for re-election and Mr Irving Scholar has left the main board, attempts were made to thwart the re-election of Mr Tony Barry, former chairman of Blue Arrow, and of Mr Ian Gray, who joined the board after the crisis broke.

Although the shows of hands were hostile, the polls (including proxies) resulted in both men being re-elected with roughly 3 to 1 majorities - or up to 80 to 1 in terms of the number of shares represented by their heavyweight



Paul Gascoigne - "An offer we simply can't refuse" could see the England World Cup star on his way

supporters.

No such problems were experienced by the new chairman, Mr Nat Solomon, formerly chairman of Pleasureland. He did, however, provoke groans when he said that if an offer "we simply can't refuse" were made for England World Cup star Paul Gascoigne, it would have to be considered.

Mr Solomon said refinancing discussions were taking place with a number of parties, including the possibility of a rights issue. Mr Robert Maxwell, whose secret negotiations with Mr Scholar aroused a Stock Exchange investigation,

was not one of the participants.

After Mr Solomon had fielded 20 questions from the Tottenham Independent Supporters Association, its representative, Mr Steve Davies, said he was disappointed. "We are concerned that proposals are not yet in place."

Mr Ronnie Jacobson, a stockbroker, described the 1989-90 accounts as "almost meaningless". He called for a proper breakdown of the losses, asked about possible rights issues and said those responsible for the disaster should put their heads on the block.

Berisford chief executive quits

By Maggie Urry

MR PETER JACOBS, chief executive of Berisford International, the heavily-borrowed commodities and property group, is resigning with effect from Friday. His departure will follow the group's annual meeting tomorrow.

Analysts said that Mr Jacobs' departure was not entirely surprising as he was associated with the old guard at Berisford, principally with Mr Ephraim Margulies, the former chairman.

Also Berisford is actively selling businesses to cut its debts. Last December it sold British Sugar, the sugar beet processing company, for £880m. One analyst said of Mr Jacobs, "there is nothing left for him to run."

Mr Margulies and some other Berisford directors were ousted by institutional pressure last spring. The 1990 accounts showed that £3.3m had been paid as compensation to former directors. The group said last night that compensation had been agreed with Mr Jacobs at less than the full amount he would have been entitled to under his contract. His salary was £360,000 and he was thought to have a five-year contract.

Mr Murray Stuart, who was brought in as chief financial officer last July and who has been heavily involved in the group's refinancing talks with its banks, is to take over as chief executive. Mr Peter Butler, formerly finance director

at British Sugar, is to move into Mr Stuart's job. Mr Barry O'Connor, company secretary, will join the board.

Mr Jacobs joined Berisford in 1986 as managing director of British Sugar. He was respected by analysts for reversing a price cutting policy which had hit profits. Mr Jacobs presided over a sharp recovery in profits at British Sugar, and became chief executive of Berisford in December 1989.

Mr John Slater, non-executive chairman of Berisford, said yesterday that Mr Jacobs had made a "huge contribution" by enabling Berisford to sell British Sugar for "a very satisfactory price, on which the group's survival depended."

Sedgwick cautious on forecasting rate rises

By Richard Lapper

THE PROSPECTS for a hardening in insurance and reinsurance rates are being overstated, according to Mr David Rowland, chairman of Sedgwick Group.

He does not expect many rates to increase before 1992. "While commentators in the insurance industry have long been forecasting increases... we have been and remain cautious in our view," he said.

Mr John Hurrell, managing director of Sedgwick James London, which handles Sedgwick's bigger industrial clients, said that although UK insurers had been seeking rate increases of between 15 and 25 per cent, "generally we are seeing renewals at the old rates."

Since the bulk of Sedgwick's brokerage income comes from percentage-based commissions charged on premiums, continued depression, especially in the US and European markets, which are particularly significant for the group, can be expected to constrain potential future growth.

COMMENT

The good thing about the exceptional charge announced yesterday is that it should help guarantee a further slimming of operating costs at a time

when the opportunities for revenue growth in the group's core insurance broking activities are somewhat limited. Certainly the immediate response of the stock market was positive with the share price rising 4p to close at 239p, despite the impact on profits and the decision to hold the dividend. During 1989 cost cutting should feed through into a slower rate of expenses growth, expected to be no more than 4 per cent, compared to an underlying growth of 6 per cent last year. Sedgwick is also expecting the dollar to strengthen later this year (it is hedging only 40 per cent of its dollar income in the second half of the year compared to over 60 per cent in the first half). However lower interest rates will depress investment income and continuing softness in international insurance markets, means that earnings are likely to be flat.

Although there is a good chance that insurance rates should finally begin to firm up in 1992, 1991 profits will do well to maintain the underlying £90.7m reached last year. The shares, on a prospective multiple of 17.2, compared to the historic sector p/e of 18.4, are obviously reflecting hopes of faster profit growth in 1992.

Another director leaves Burton board

By John Thornhill

THE DEPARTURE of the old guard at Burton Group continued yesterday as Mr Paul Plant, joint managing director, announced that he would leave the fashion retailer at the end of the month.

Mr Plant, who was largely responsible for Burton's costly adventures into property development and financial services, was very much associated with the regime of Sir Ralph Hal-

pern, who quit as chairman and chief executive last November.

Last month Mr Mike Wood announced he was leaving his post as finance director; so Mr Plant's departure therefore came as little surprise to the City, although Burton's shares still slid 3p to 91p yesterday.

Mr Plant, who had worked at Burton for 21 years, will receive £600,000 as compensa-

tion for loss of office. This represents two years' salary, although he still had five years of his contract left to run.

Over the next three years, Mr Plant also has a contractual right to receive a further £600,000 under the company's bonus scheme.

A spokesman for Burton said further board appointments were likely to be made in the next few months.

Unilever 1990

FULL YEAR 1990 was a year of satisfactory progress with sales rising by 10% and profit attributable (before the extraordinary charge) increasing by 11% over 1989, at constant rates of exchange.

Volume improved by 6% of which 3% represents the underlying growth of the business. The remainder stems from the net effect of acquisitions and disposals. We purchased 56 businesses during the year, for about £400 million and disposed of 16 businesses, for proceeds of around £120 million.

At the average exchange rates prevailing in each year, the increase in profit attributable over 1989 is 12% in Sterling, 4% in Guilders and 22% in Dollars.

RESULTS	1990	1989	Increase	Increase constant exchange rates
	£m unaudited			
Turnover	22,258	20,393	9%	10%
Operating profit	2,051	1,876	9%	10%
Profit before taxation	1,782	1,703	5%	5%
Profit attributable before extraordinary item	1,112	993	12%	11%
Extraordinary item (195)				
Profit attributable to shareholders	917	993		
Combined earnings per share per 5p of ordinary capital excluding extraordinary item	59.52p	53.15p	12%	11%

OPERATIONS. In Europe Operating profit increased by 19% at constant rates of exchange as a result of increased sales and an improvement in margin to 9.1%. The strongest performances came from our consumer products operations with detergents, personal products and ice cream providing significant contributions. Our German businesses were quick to respond to the opportunities presented by the unified German market, with additional sales in what was East Germany amounting to some £150 million. We completed the sale of our low margin oil milling and agricultural merchandising operations.

In North America trading conditions were difficult but most of our businesses increased sales and generally held market share. Dollar operating profit, before exceptional items, was at a similar level to last year. Competitive pressures in both foods and detergents led to lower results than in 1989. Our speciality chemicals business maintained both

ANOTHER YEAR OF PROGRESS



sales and profits in spite of the slowdown in industrial markets. Results in personal products advanced strongly, helped by the contribution from the prestige businesses purchased last year.

There were contrasting performances in the Rest of the World. We enjoyed excellent results in India and Indonesia and our Latin American businesses also performed well, particularly Chile. In Japan, however, the cost of new launches, combined with competitive pressures on existing products, led to a disappointing result.

EXTRAORDINARY CHARGE. The Fourth Quarter results include an extraordinary charge of £195 million (after tax). The charge relates to a programme to strengthen our competitive position in the light of the legislation leading to the Single European Market. It includes the costs associated with the closure of some facilities, the re-allocation of production and other restructuring expenses. Consequential staff reductions will be made primarily through early retirement, redeployment and voluntary redundancy.

The profitability of our European operations has improved markedly in recent years. We are taking this action to ensure that we can make full use of the unique opportunity offered by the economic integration of Unilever's most important market.

The extraordinary charge is not included in the calculation of earnings per share.

DIVIDENDS	1990	1989
PLC per 5p ordinary - final	13.30p	12.24p
- total	18.16p	16.75p
N.V. per Fl.4 ordinary - final	Fl.3.83	Fl.3.35
- total	Fl.5.27	Fl.4.72

NOTES: The PLC final dividend will be paid on 22nd May, 1991 to shareholders registered on 19th April, 1991. The N.V. final dividend will be payable as from 24th May, 1991.

For the purpose of equalising dividends under the Equalisation Agreement, Advance Corporation Tax ("ACT") in respect of any dividend paid by PLC has to be treated as part of the dividend. PLC's 1990 final dividend now announced has been calculated by reference to the current rate of ACT (twenty-five/seventy-fifths); if the effective rate applicable to payment of the dividend is different the amount will be adjusted accordingly and a further announcement made.

The Report and Accounts for 1990 will be published on 16th April, 1991. The results of the first quarter 1991 will be announced on 17th May, 1991.

For copies of Unilever results statements please telephone Freephone 0800 181 891 or write to: External Affairs Department, P.O. Box 68, Unilever House, London EC4P 4BQ.

Sir Michael Dive

By Gary Morris

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UK COMPANY NEWS

Sir Michael Angus brings a touch of humour to the annual meeting
Diversity is behind Unilever's success

By Clay Harris, Consumer Industries Editor

SIR MICHAEL Angus, Unilever's chairman, devotes a great deal of effort to enliven annual results meetings for analysts and the press. This year, he supported his act with a shopping bag full of props - the new products of which he was most proud.

Out came an ice-cream bar "so decadent I can thoroughly recommend it". Out came cardboard cartons for liquid detergents. A "slightly sophisticated" mix-your-own detergent being test-marketed in Germany was fetched for display.

His wit, moreover, is as far from the surface. Asked about the success of one of the group's fragrance products, Sir Michael said: "We followed it up with Elizabeth Taylor's Passion for Men, which we all knew about anyway."

That prompted him to recall a "provocative" advertisement for Calvin Klein's Obsession, another Unilever fragrance.

"I was asked to comment on this tangle of bodies. I asked someone familiar with such things and was told it didn't know how to judge an orgy, so I counted the number of legs and I have to tell you," he concluded triumphantly, "there was an odd number."

However, there are two serious points behind Sir Michael's mock-comic turn. One is to dis-

play his personal excitement about the infinite variety of products Unilever makes.

The other is that Unilever's sheer size, diversity and global spread mean that it is rare for any single business to affect its results materially. Instead, a few themes emerge each year for a brief moment in the limelight.

In 1990, these included: the contribution of acquisitions to turnover growth. They accounted for half of the 6 per cent rise in sales by volume.

the hint of faint praise for the Elizabeth Arden and Calvin Klein fragrance businesses. "Together they're more than paying their debt," said Sir Michael.

the serious competitive problems Unilever still faces in the US and Japanese detergent markets, both of which require heavy promotional spending to establish new products.

the continued fall in North America's contribution to operating profits - now only 20 per cent and a concession that acquisitions are needed to redress the balance.

a consistently cautious approach to joint ventures in eastern Europe, although negotiations are underway in Czechoslovakia, Hungary, Poland and Yugoslavia. Unilever is still far more comfortable with "pipeline-filling"

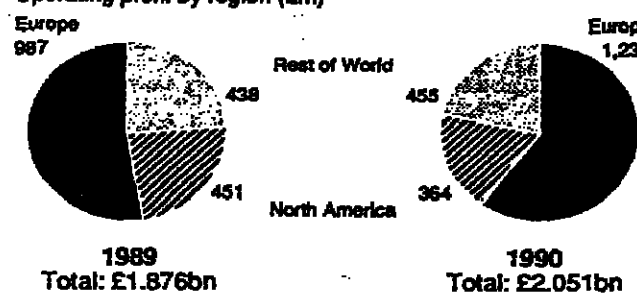
growth like the £150m in sales last year in the former East Germany.

strong performances in India, Indonesia and Latin America, especially in Chile.

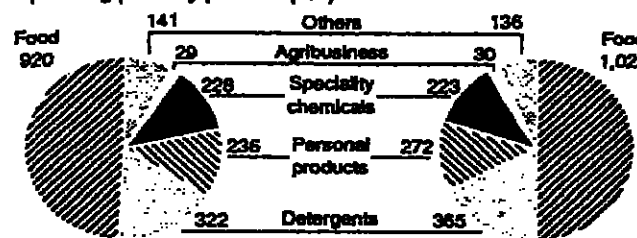
"We've demonstrated our resilience in times of recession in the past and we're sure that our strength will continue to stand us in good stead."

Unilever

Operating profit by region (£m)



Operating profit by product (£m)



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New role on Tate & Lyle board

By Maggie Urry

TATE & LYLE, the sweeteners group, has created a new boardroom role of group managing director.

The company said this would free Mr Neil Shaw, chairman and chief executive, to take a more strategic view of the business, which has become larger and more complex.

Mr Stephen Brown, 51 and currently president of Alcan Refined Products, part of Alcan, has been selected to fill the new position. He will take charge of the day-to-day running of the operations.

The group also said that Mr Brown would be well placed to succeed Mr Shaw, 62, when he eventually retires, although Mr Brown was not yet 40 at the time.

Mr Brown joined Shell from university but moved to Alcan in 1970.

His experience covers finance, manufacturing and worldwide corporate planning.

Tate said his career in Europe and North America suited him to its geographical spread.

Tate said that Mr Shaw now felt the operations were running smoothly and were better focused. He would now look to expansion at Tate, as well as having more time to devote to outside interests.

Overseas sales expansion as Campari rises 15% to £4.77m

By Clare Pearson

CAMPARI International, the leisure and sportswear group, yesterday announced pre-tax profits of £4.77m in its first set of results since Wing Tai, the South East Asian garment manufacturer, acquired a 29.5 per cent stake last July.

After having fallen to £4.15m in 1989, profits for the year to November 30 1990 recovered to emerge 15 per cent higher.

Turnover, which was also down in the previous year, rose by 6.5 per cent to £39.36m (£38.96m).

Mr Christopher Cheng, chairman, said the results were a vindication of Campari's drive into Europe. The proportion of sales made overseas rose from 52 to 58 per cent during the year.

Campari sources its clothes mainly from the Far East. Weakness in the Hong Kong dollar helped it hold prices

down compared with competitors during the year. However, it said hedging policies meant there was little direct effect from currency movements in the figures.

Wing Tai, whose sales top £200m, said it saw its role at Campari as supportive shareholder rather than manager. It has a similar stake in Vivat Holdings, the Lee Cooper jeans distributor.

Campari said it was seeking acquisitions in the Netherlands or in Germany, which had proved a particularly buoyant market for its sportswear during the year.

Profits at the operating level were £4.39m (£4.1m). Net interest receivable rose to £375,000 (£47,000). At the balance sheet date stocks were down by 11 per cent on the previous year and cash balances were £7.47m (£2.27m).

Earnings per share rose to 37.39p (31.99p). The final dividend is 8.5p making 11p (10p).

Wing Tai bought its stake from Mr Ake Nordin, the Swedish businessman involved in UK property development who had acquired it in 1988.

COMMENT

It has to be said that this strong rise in profits represented only a recovery from 1988, when turnover slipped by 3 per cent and the pre-tax line fell by 13 per cent. In spite of that hiccup in its growth record, only the most grudging person would deny Campari's evident strengths in design and sourcing. Its sporty styles seem resilient to general changes in fashion tastes, and it has a reputation for keeping its Far Eastern suppliers tightly in line. Wing Tai can only reinforce that. There seems no evidence, however, that the south east Asian company has predatory ambitions regarding Campari. But even assuming a bid is not on the cards, the rating on the shares does not look demanding: assuming pre-tax profits this year of £5.2m, the prospective p/e is about 6. The 25 per cent tax charge will rise over time, but not yet. Though the company is small, the shares look soundly-based.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Critical decisions are not available as to whether the dividends are interim or final and the sub-divisions shown below are based mainly on last year's timescales.

TODAY

Imperial Chemical Industries, ICI, 10.30am

British Aerospace, 11.00am

British Petroleum, 11.00am

British Airways, 11.00am

British Telecom, 11.00am

British Gas, 11.00am

British Airways, 11.00am

British Telecom, 11.00am

British Gas, 11.00am

FUTURE DATES

British Aerospace, 11.00am

British Petroleum, 11.00am

British Airways, 11.00am

British Telecom, 11.00am

British Gas, 11.00am

British Airways, 11.00am

British Telecom, 11.00am

British Gas, 11.00am

NEWS DIGEST**Improved margins at Microfilm**

IMPROVED margins enabled Microfilm Reprographics, the photographic processors, to show further progress in 1990, with pre-tax profits increasing by 8.5 per cent, from £3.32m to £3.61m.

It was achieved on turnover showing a near 2 per cent reduction, from £16.36m to £16.07m.

Earnings rose to 4.33p (3.81p) and the interim dividend is lifted to 1.2p (1p).

TR High hit by weak economy

In its first set of results since coming to the market in September 1989, TR High Income Trust reported that in the period to end-December 1990 net asset value per ordinary share stood at 86.5p (84.5p). Total income was £1.54m and after tax and administrative expenses net revenue totalled £957,000. Earnings per share came out at 6.35p and a fifth interim dividend of 0.4p makes a total of 6p.

Revenue rise for Pacific Assets

Net asset value per 50p ordinary share of the Pacific Assets Trust fell from 277.5p to 198.5p over the year to January 31. The fully diluted figure declined from 249p to 172.7p.

Available revenue rose to £478,000 (£172,000) after tax of £361,000 (£64,000). Earnings amounted to 2.53p (1.43p). The

proposed dividend is 1.875p (0.875p), which includes a special non-recurring 1p.

Wassall disposes of Italian subsidiary

Wassall has completed the disposal of Alucaps Italiana, its Italian subsidiary, to a private Italian group for a total £3.8bn (£1.74m) cash.

The group received £1bn on completion and the balance will be received in instalments until June 30 1993.

Updown Investment net asset value down

At December 31, net asset value of Updown Investment had fallen to 442p, against 511.5p six months earlier.

At the end of 1989 it stood at 513p.

Over the year gross revenue rose to £834,000 (£884,000) and earnings per share worked through at 13.17p (10.88p). The dividend is lifted 2p to 11p.

J Hewitt builds profits of £0.58m

By the end of 1990 J Hewitt & Son (Fenton), a maker of night storage bricks and refractories for potteries, had pushed pre-tax profits to £585,000, turning round from the previous year's loss of £172,000.

The improvement was achieved in spite of a 10 per cent reduction in turnover to £7.96m (£8.55m).

Labour problems cost £151,000, taken as an exceptional item, offset by a £159,000 fire insurance claim.

Earnings were 10.9p (losses 5.1p). The final dividend is 1.5p to raise the total to 2.5 (2p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Brit Aerospace	16.1	June 3	14.8	25	22.7
Campari	8.5	Apr 29	8	11	10
Hewitt (J)	1.5	May 15	0.8	2.5	2
Kalon	1	May 15	0.8	1.5	1.2
Microfilm Repro	12	May 31	1	13	3
NetWest Bank	11.575	May 14	11.375	17.5	16.7
Pacific Assets	1.875	Apr 28	nil	1.875	0.875
Sedgwick	8	Apr 26	8	12	12
TransAtlantic	13.3	May 22	12.24	18.16	18.75
Unilever	3.83	May 24	3.35	5.27	4.27
Unilever NV	11	Apr 3	9	11	9
Updown Invest	11	Apr 30	9	11	9
TR High Income	0.4	Apr 30	0.4	0.4	0.4

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡Includes 1p special non-recurring payment. §In quidars. ¶Fifth interim.

STRENGTH IN DIVERSITY.

We are pleased to announce record results in this tenth anniversary year of British Aerospace as a public limited company.

- ▲ Pre taxation profits of £376m represent a record.
- ▲ Sales were at the highest ever level of £10.5bn.
- ▲ Order book stands at £11.8bn - another record.
- ▲ Earnings per share in 1990 after exceptional items were 92.7p, an increase of 12 per cent.
- ▲ A final dividend of 16.1p per share is proposed, bringing the total dividend for the year to 25p, an increase of 10 per cent over 1989.
- ▲ British Aerospace secures considerable value from its diversity. This, together with the benefits of heavy investment in recent years, enables your Board to remain confident of the longer term outlook for British Aerospace...

Professor Roland Smith

Extract from the Chairman's Statement

RESULTS FOR 1990

	1990	1989
	£m	£m
Turnover	10,540	9,085
Trading profit	585	441
Profit before taxation	376	333
Shareholders' funds	2,534	2,380
Earnings per share -		
Net distribution basis		
- before exceptional items	98.2p	63.4p
- after exceptional items	92.7p	82.8p
Ordinary dividends per share	25.0p	22.7p

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December, 1990 or 1989 but is derived from those accounts. Statutory accounts for 1989 have been delivered to the Registrar of Companies, whereas those for 1990 will be delivered following the company's Annual General Meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

BRITISH AEROSPACE

British Aerospace plc, 11 Strand, London WC2N 5JT.

COMMERCIAL AIRCRAFT • DEFENCE SYSTEMS • MOTOR VEHICLES • SPACE SYSTEMS • CONSTRUCTION & PROPERTY DEVELOPMENT • ENTERPRISES

PLACER DOME INC.

NOTICE IS HEREBY GIVEN that a regular quarterly dividend, being Dividend No. 15 of seven and one-half cents (7 1/2¢) Canadian per Common Share, has been declared payable on March 28, 1991 to shareholders of record at the close of business on March 4, 1991.

Shareholders with addresses in the United States or Australia will be paid the equivalent amount in the currency of the respective country.

BY ORDER OF THE BOARD
John A. Eckersley
Secretary

February 19, 1991

CORRECTION NOTICE

Birmingham
Midshires
Building Society

£150,000,000

Floating Rate Notes Due 1995

Interest Rate: 13.6625% per annum

Interest Period: 3rd December, 1990 to 4th March, 1991

Interest Amount per £5,000 Note due 4th March, 1991: £170.31

Interest Amount per £50,000 Note due 4th March, 1991: £1,703.13

Agent Bank: Baring Brothers & Co., Limited

HongkongBank

The Hongkong and Shanghai Banking Corporation Limited
Incorporated in Hong Kong with limited liability

Proposals for reorganisation of group structure

On 26 February 1991 a meeting of shareholders of The Hongkong and Shanghai Banking Corporation Limited ("HSBC") convened by the direction of the Supreme Court of Hong Kong was held to consider a resolution to approve a scheme of arrangement (the "Scheme") pursuant to section 166 of the Companies Ordinance of Hong Kong. Details of the Scheme, under which it is proposed that HSBC Holdings plc ("HSBC Holdings") will become the group holding company and HSBC will become a wholly owned subsidiary of HSBC Holdings, were set out in a circular to shareholders of HSBC dated 1 February 1991 (the "Scheme Document").

Voting on the resolution to approve the Scheme was by poll. Of the shareholders present and voting at the meeting, either in person or by proxy, 10,923 shareholders, representing in aggregate 2,004,510,535 shares in HSBC, voted in favour of the resolution, and 140 shareholders, representing in aggregate 7,066,421 shares, voted against. Accordingly, of the shares voted, approximately 99.65 per cent were voted for the resolution and 0.35 per cent against. The resolution was duly carried in accordance with the statutory requirement for the resolution to be passed by a majority in number of the shareholders present and voting, in person or by proxy, and representing three-fourths in value of the shares held by them.

The Scheme remains conditional on it being sanctioned (with or without modification) by the Supreme Court of Hong Kong and an office copy of the Court order being delivered to the Registrar of Companies in Hong Kong for registration. In addition, as stated in the Scheme Document, the necessary action to make the Scheme effective will only be taken if (i) the Boards of HSBC and HSBC Holdings are satisfied with regard to the listings by the Stock Exchanges in Hong Kong and London of the Ordinary Shares in HSBC Holdings to be issued pursuant to the Scheme, and (ii) the obtaining of all authorisations, exemptions, licences, orders, grants, recognitions, confirmations, consents, clearances, permissions and approvals as the Boards of HSBC and HSBC Holdings deem to be necessary or desirable for and in respect of the Scheme.

The hearing by the Supreme Court of Hong Kong of the petition to sanction the Scheme is scheduled to be held on 26 March 1991. Subject to such sanction being duly granted at such hearing and to the other conditions mentioned above being fulfilled within the relevant time-scale, it is expected that the Scheme will become effective on 2 April 1991; shareholders will in any event be notified by press announcement of the exact date on which the Scheme becomes effective. On that basis it is expected that the last day of dealings in HSBC shares on The Stock Exchange of Hong Kong Limited will be 26 March 1991 and that the Register of Shareholders will close at 4.00 pm on 28 March 1991 so that shareholders' entitlements to new Ordinary Shares in HSBC Holdings can be determined. In order to qualify for such new Ordinary Shares, all transfers of HSBC shares (accompanied by the relevant share certificates) must by the time of such closure be lodged with the Registrars, Central Registration Hong Kong Limited, Hopewell Centre, 19th Floor, 183 Queen's Road East, Hong Kong.

By Order of the Board
R G Barber
Secretary

26 February 1991

THE FOOD AND DRINK INDUSTRY IN EUROPE

12 & 13 March, 1991 - LONDON

The third Financial Times Food and Drink conference will examine the opportunities and challenges facing the industry in the coming decade and look at strategies for success in the new competitive environment.

Speakers taking part include:-

Mr Michael C Jackaman
Vice Chairman and Chairman Designate
Allied-Lyons plc

Mr Richard M Norton
Area Vice President, Eastern Europe
Pepsi-Cola International

Mr David Hearn
Managing Director
KP Foods Group

Mr Neil Shaw
Chairman & Chief Executive
Tate & Lyle PLC

M. Richard Bourgeois
Member of the Executive Committee
Groupe Casino

Mr Howard G Phillips
Chief Executive
Perkins Foods PLC

Mr Tom Knowlton
Chairman & Managing Director
Kellogg Company of Great Britain Ltd

Mr R Edward Glover
President
Campbell Europe

Mr Christopher Haskins
Chairman
Northern Foods plc

M. Nicolas Le Chatelier
Director General
Yoplait SA

Dr Francis J Pocock
Technical Director
Grand Metropolitan Foods Europe

Mr Jim Grover
Director
OC&C Strategy Consultants

Mr Christopher Scott-Wilson
Senior Legal Adviser
Guinness PLC

Mr John C Lenker
Vice-President
Green Giant Europe SARL

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THE FOOD AND DRINK INDUSTRY IN EUROPE

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UK COMPANY NEWS

Bae to rationalise commercial aircraft side

By Paul Bette, Aerospace Correspondent

BRITISH AEROSPACE is expected to unveil soon a restructuring programme for its commercial aircraft operations.

The move is likely to involve job cuts and rationalisation of manufacturing facilities in the UK and the US.

Professor Roland Smith, BAE's chairman, said a reduction of the workforce and rationalisation of production capacity to bring it in line with long-term trends remained a priority.

Although cost cutting would affect all areas of the group's diverse businesses, the current slump in the civil aviation industry had accelerated the restructuring process in the company's commercial aerospace division.

The weak dollar had also put additional pressure on BAE to cut costs and improve productivity in its commercial air-

craft operations, which currently employ about 25,000 people at six plants in the UK and a further 1,000 in the US.

BAE has already written to its entire commercial aircraft workforce saying that it was undertaking an extensive review of the business.

The group has already launched a separate restructuring of its military aircraft business, including the closure of two plants at Kingston-upon-Thames, Surrey, and Preston, Lancashire, and the reduction of 5,000 jobs.

Mr Evans said that although the longer-term outlook for the commercial aircraft market remained encouraging, the company had to continue improving productivity to remain competitive.

BAE's commercial aircraft activities last year showed a 23.5m trading profit on sales of £1.5bn compared with trading

profits of £15m on sales of £1.4bn in 1989.

Mr Dudley Eustace, finance director, said two thirds of the commercial aircraft trading profits came from BAE's involvement in the European Airbus programme.

BAE has a 20 per cent stake in the Airbus consortium and is responsible for building the wings for all Airbus aircraft.

The company's commercial aircraft order backlog totalled 1,100 aircraft, including 1,000 Airbus jets and 100 BAE aircraft, Mr Evans said. Since the recent collapse in air travel, only one airline, Royal Jordanian, had cancelled an Airbus order while seven other orders had been rescheduled.

BAE is also sitting on a further five A330 wide body aircraft due to be delivered to Saudi Airlines. The fate of these five aircraft is clearly uncertain in the current situation.

Rover declines 14% to £55m

By Kevin Done, Motor Industry Correspondent

THE TRADING profits of Rover Group, the automotive subsidiary of British Aerospace, suffered a 14 per cent drop last year from £64m to £55m.

The turnover of the motor vehicle operations, which are 20 per cent owned by Honda of Japan, rose by 10.5 per cent from £3.43bn to £3.79bn accounting for 36 per cent of BAE group turnover.

Rover had heavy launch costs for new models last year, and it is also suffering from the steep fall in the UK new vehicle market, which still accounts for about two thirds of its sales.

Rover's trading profits in 1989 were boosted by its share of income from affiliated companies - chiefly DAF and Isel - amounting to some £8m.

Following the reduction of its holding in DAF to 16 per cent in mid-1989 and the disposal of its holding in Isel in the same year, there was no income from affiliates, indicating that the underlying trading profits were virtually unchanged last year.

The Rover share of profits came from the Land Rover four wheel drive vehicle business, which increased production by 26 per cent to a record 68,621 vehicles.

Total Rover group vehicle production (including Land Rover and cars produced for Honda) declined by 2 per cent from 511,408 to 501,225. Output of cars and car-derived vans fell by 5 per cent from 456,193 to 432,702.

Output of the Mini and the Rover 200/400/Honda Concerto

ranges were sharply higher last year, while output of the Maestro, Montego and Rover 800 ranges fell steeply.

Mr George Simpson, Rover managing director, said that the company's capital investment and spending on new model development would total between £200 and £250m in coming years. Professor Roland Smith, BAE chairman, said that new Land Rover products and technology would account for an important part of investment in the short-term.

Rover is expected to launch extensively revised versions of its Rover 800 executive car range in the autumn. Mr Simpson confirmed that Rover intended to press ahead with the closure of its Cowley, Oxford north and south works in 1992.

Yorkshire Building Society rises to £43.7m

By David Barchard

Yorkshire Building Society, the 12th largest society by asset size, made pre-tax profits of £43.7m in 1990, up 7 per cent.

Mr Roger Suddards, chairman, described the result as impressive.

During the year the society's total assets grew from £3.06bn to £3.58bn. Retail savings held were £2.66bn, up from £2.51bn.

The mortgage book rose from £3.52bn to £2.75bn, with its total new lending up by 27 per cent to £580m.

In line with other building societies, there was a sharp increase in provisions against bad and doubtful debts. Provisions on residential property increased by £2.2m and those on commercial lending were up by £7.2m, bringing the total for the year to £9.5m (£825,000).

Focus DIY offers Boots £80m for Fads

Focus DIY, a privately-owned home improvements company, yesterday said it had made an £80m offer for Fads, the chain of home improvement stores that Boots acquired when it bought Ward White in 1989.

Boots was not prepared to comment on Focus's statement yesterday, but it is known to have firmly rejected a previous offer from Focus, which valued Fads at £70m.

Focus's chairman is Mr Greg Stanley, who owned the Fads chain before it was acquired by Ward White for £130m in 1987.

French offer for Signet receives MMC clearance

By Robert Rice, Legal Correspondent

THE BID by Signet, the French payment card processing company owned by Credit Lyonnais, for Signet, the Access credit card processing operation, has been cleared by the Monopolies and Mergers Commission.

The Commission's conclusion that the acquisition would not operate against the public interest had been widely expected, but comes too late to enable Signet to complete the deal.

Signet, which is jointly owned by Lloyds Bank, Midland Bank, National Westminster Bank and the Royal Bank of Scotland, is being sold to First Data Resources, a subsidiary of American Express.

This was the second acquisition involving Credit Lyonnais, the French state-controlled bank, to be referred to the Commission since Mr Peter Lilley, the Trade and Industry Secretary, announced his tough new policy on UK acquisitions by foreign state-controlled companies last summer.

The acquisition by the bank of a 45 per cent stake in Woodchester Investments, an Irish-based financial services company, was cleared by the MMC last month.

Credit Lyonnais has already made it clear that it believes the delay which resulted from Mr Lilley's decision to refer the Signet bid to the MMC against the recommendation of the Director General of

Fair Trading, cost it the company.

The bank has lodged an official complaint against Mr Lilley's policy to the European Commission on the ground that it discriminates against French companies. The Treaty of Rome prevents EC governments from discriminating against bidders from other member states.

The MMC said that while Signet enjoyed a substantial share of the payment card processing market, the merger would not result in any increase in market share as Signet had not hitherto had any business in the UK.

The Commission also said the card processing business was expanding and several new companies, both domestic and foreign, had recently entered the market. The barriers to entry to the card processing market are not high.

On the issue of state control, the Commission acknowledged that competing banks had expressed concern that the state ownership of Signet might enable it to exploit Signet's market position through its ability to take a longer-term view than its competitors.

But as with the earlier inquiry into the bank's acquisition of a stake in Woodchester, it found that French state-controlled banks have a high degree of independence in their day to day management and were expected to operate on a commercial basis.

GrandMet appoints friendly Scot as heir-apparent to the chair

By Philip Rawstorne

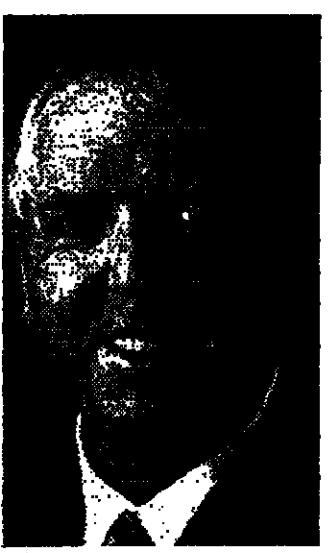
MR IAN MARTIN, head of Grand Metropolitan's \$8bn (£4.2bn) international food operations, was yesterday appointed deputy group chief executive and heir-apparent to Sir Allen Sheppard, chairman and chief executive of the drinks, food and retailing group.

Mr Martin, 55, who led the 1988 takeover of Pillsbury, the US bakeries and burgers group, will combine the new job with his current post as chief executive of the group's food sector.

He will return to the UK in January next year as chief operating officer and group managing director, with the food, drinks, retailing and property divisions all reporting through him.

Sir Allen, 58, announced the appointment at the company's annual meeting yesterday, when he also told shareholders that most of GrandMet's operations were "bucking the recession and performing well".

Pre-tax profits for the first four months were in line with last year's sterling results, he said. Though some retailing



Ian Martin - set to take the chair at GrandMet

activities - notably Pearle eye-care in the US and UK pubs - were under pressure, the international drinks and food businesses were robust. Results would be affected, however, by the dollar exchange rate and

weak property market.

In the past four years, Sir Allen said GrandMet had carried out a complete strategic realignment of its business portfolio while more than doubling its profits.

"Now that the way ahead is determined, the time is right to start to spread my considerable workload with the appointment of Ian Martin."

A tough but friendly Scot, Mr Martin joined GrandMet in 1979 from IFT.

He improved returns from the Watney Mann and Truman brewing subsidiary and was rapidly promoted to head the entire brewing and retailing division.

He became a GrandMet director in 1985 and was then chosen to streamline its US consumer products business. He was also chairman of Inter-Continental Hotels from 1986 until the group was sold for £1.2bn in 1988.

During the past two years, he has restructured the Pillsbury operations - increasing profits by more than 50 per cent last year.

National Bank of N Zealand bucks trend

By Terry Hall in Wellington

THE NATIONAL Bank of New Zealand, a wholly-owned subsidiary of Lloyds Bank, reported a 38 per cent increase in net profits to NZ\$67.1m (£21m), helped by a substantial reduction in bad and doubtful debt provisions from NZ\$74m to NZ\$37m.

In contrast, the smaller Countrywide Banking Corporation, 40 per cent owned by the Bank of Scotland, echoed the performance of most locally-based Australian and New Zealand-owned banks by reporting increased problems with its doubtful debts in the six months to December 31.

Mr David Tudhope, National Bank chairman, said operating costs had risen 4 per cent to NZ\$309m (NZ\$289m) while revenue was down from NZ\$449m to NZ\$436m, reflecting very competitive conditions. The bank increased its lending by 30 per cent to NZ\$4.71bn mainly in home mortgages.

The after-tax return on shareholders' funds was 13.5 per cent compared with 8.5 per cent last year.

Net interest income was NZ\$253m (NZ\$236m) with other operating income of NZ\$183m (NZ\$188m). Pre-tax profit was NZ\$108m (NZ\$77m). The tax charge was NZ\$33m (NZ\$29m).

Countrywide's post-tax profits were down 3.2 per cent to NZ\$28.1m (NZ\$29.5m) while provisions for bad and doubtful debts were up NZ\$2m to NZ\$24.9m.

Mr Peter Clapham, Countrywide chairman, blamed the fall on tight margins between its borrowing and lending rates as well as the higher bad debt provision.

Mr Peter Martin, managing director, said he expected the second half to be significantly better, although the economy had moved further into recession and asset values had continued to fall.

Countrywide's total assets rose 24 per cent to NZ\$1.8bn. Net tangible asset backing was up 6 cents to 216 cents per share. Its capital adequacy ratio was 12.4 per cent, compared with the 7.35 per cent required by the Reserve Bank of New Zealand. Directors declared an unchanged interim dividend of 3.5 cents.

Prices for electricity delivered to the consumer in the electricity pooling area in England and Wales			
Period from	Period to	Pool price	Pool price
12 noon	12 noon	12 noon	12 noon
01/01	01/02	15.24	15.24
01/02	01/03	15.24	15.24
01/03	01/04	15.24	15.24
01/04	01/05	15.24	15.24
01/05	01/06	15.24	15.24
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FEBRUARY 27 1991
National
Bank of
Zealand
trends

NATIONAL Bank of New Zealand
and a wholly-owned subsidiary
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is a public company incorporated in New Zealand.
The Bank of New Zealand is a public company
incorporated in New Zealand. The Bank of New Zealand
is a public company incorporated in New Zealand.

Interest income was \$55m (NZ\$261m) and
operating income was \$53m (NZ\$258m). Profit
before tax was \$225m (NZ\$105m). Tax charge was \$20m
(NZ\$9m).
Countrywide's profit was down 5.8 per cent
to \$225m (NZ\$105m) from \$238m (NZ\$113m) in 1990.
Provisions for bad and doubtful debts were up \$2m
to \$24m.

Countrywide's total assets were up 1.4 per cent to \$2.4bn (NZ\$1.1bn) from \$2.3bn (NZ\$1.0bn) in 1990.
Its capital adequacy ratio was 12.4 per cent, up from 12.2 per cent in 1990.
The Bank of New Zealand is a public company incorporated in New Zealand.

Lazlo Antal was one of the principal economic advisers to Hungary's former communist government until the country held its first, free elections last year.

In the run-up to the elections, Antal mused about what would become of post-communist Hungary. "I suppose we will become a dumping ground for Europe's waste," he said in an interview. "We will get paid for this," he added.

Antal said he did not see what was so surprising about his opinion. After all, for decades countries, including Switzerland and what was then West Germany, were transporting their waste to eastern Europe.

But with the opening up of eastern Europe last year, western companies and governments could see for themselves the extent of work that was needed to clean up the environment. Until the late 1980s there were few independent pressure groups in eastern Europe capable of publicising the danger of importing waste, or strong enough to insist that the environment be taken into account in the co-ordination of policy.

The question is what this policy should be. So far, there appears to be three emerging forces involved in assessing how cleaning up the environment in eastern Europe should be tackled.

First, there is the financial assistance and advice offered by the World Bank and the European Community's PHARE programme.

The World Bank's philosophy towards the environment in eastern Europe is primarily focused on strengthening environmental management. Last year it granted Poland a loan of \$18m (\$3m) aimed at providing technical assistance, training and specialised scientific equipment.

"Our aim is to create a framework for addressing the highest priority environmental concerns in Poland," commented one World Bank official. In practice this means using some of the loan to clean up, for example, the Upper Vistula River Basin.

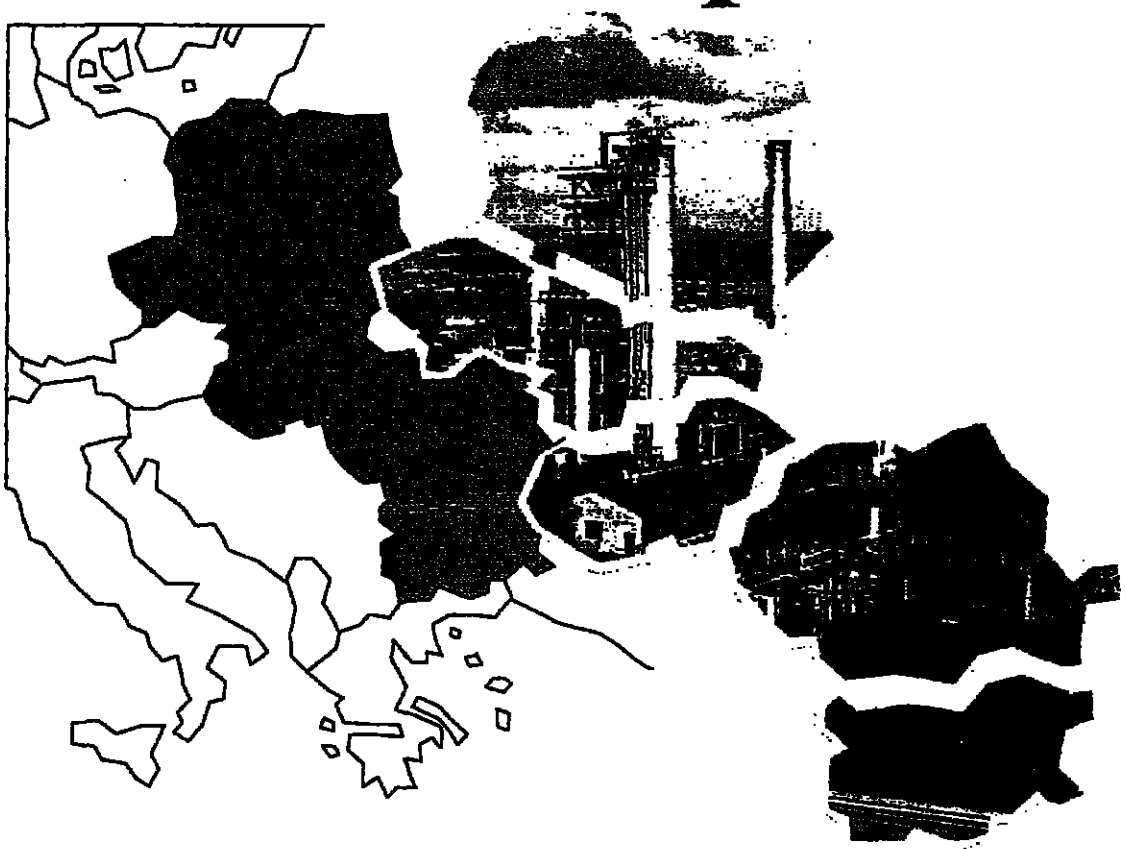
It is difficult, however, to see how high on the political and economic agenda the Polish government is prepared to place the environment. It is attempting to control inflation, maintain a tight incomes policy, continue with privatisation and prepare for parliamentary elections. In addition, in common with the other governments in eastern Europe it realises that the closure of steel mills will lead to unemployment.

The EC's PHARE programme, which is much more broadly spread across the region, is acutely aware of the interdependence between the environment and the economy in eastern Europe.

Over the past year many projects, ranging from promoting silt dredging and reed harvesting at Lake Balaton in Hungary, setting up sludge disposal units for Prague's

In the first article of an occasional series on pollution in eastern Europe, Judy Dempsey tells how western companies and governments will play a significant part in cleaning up years of destruction

An inheritance that carries a price



sewage treatment plant, to monitoring waste pollution and providing water quality monitoring equipment for the Elbe river in eastern Germany, have been set up.

"The governments of eastern Europe draw up a number of projects and we tend to choose from these lists," explains Brusasca Mackenzie, an official at PHARE. "The main priority is to make sure these projects have a positive impact on the health of the population. What is needed is a strategy which will integrate the environment with the economy."

Another element which will influence the clean-up of eastern Europe is the involvement of western consultancy firms who are now ubiquitous in the region.

For several years, Environmental Resources Limited, a UK-based com-

pany, has been carrying out studies in eastern Europe for those western firms wishing to invest there.

"If any of these governments want to privatise an enterprise, an interested western firm asks us to carry out a study about the cost of cleaning up that enterprise, or assessing the environmental standards of the enterprise," explains Tassilo Metternich. The firm has done reports on the region which, like so many other studies, paints a grim picture of the legacy the new governments have inherited.

Arthur D Little, the US consulting firm, carries out similar studies and case studies of enterprises. "That is the easy part," explains Ronald McLean, one of its consultants in eastern Europe. "There are two problems. First, these countries need the capital to clean up the

environment. Second, they have to get management systems in place in order to implement tighter environmental controls and standards."

That task is easier said than done. There remains a lingering suspicion among east Europeans that western investors are only interested in the short-term and are not prepared to invest in the local community. Furthermore, they believe that because many enterprises have obsolescent and environmentally damaging equipment, enterprises will be sold off at a low price and the locals will gain little from privatisation.

Institutions such as the Ecological Studies Institute (ESI), the Regional Environmental Centre in Budapest and the new European Bank for Reconstruction and Development are sensitive towards these

perceptions.

The ESI is a registered charity which was founded in 1984. It was one of the first western organisations actively involved in eastern Europe before the collapse of the communist system. Duncan Fisher, head of ESI's eastern European programme, says it has three aims.

"We want to be a centre of information and analysis of developments in the environmental field in the region, to assist environmental and non-governmental organisations in the region and to provide research for western investors who are interested in the region," he explains.

Fisher also believes that the ESI's philosophy is to encourage a more humane approach towards addressing environmental issues. "Our policy is to get the people in eastern Europe involved in training, and educating the workforce on the environment. The Japanese have been very good in this respect. They do not rush in."

The centre intends to become a clearing house for information about the environment throughout eastern Europe, including the Soviet Union. "We are establishing a data centre for the region," explains Peter Hardi, executive director of the centre. "With this system we hope quickly to identify trends in the environment and, for example, through satellites locate areas of deforestation."

Hardi also sees the centre as providing valuable back-up for local non-governmental organisations (NGOs). "Here in Hungary, if local NGOs want to investigate pollution levels, or discover hazardous waste, they can seek advice from us," explains Hardi. "We can put out to tender some firm to carry out that study," he adds.

"Even more importantly, if NGOs are concerned about someone wanting to buy an enterprise or build a plant, we can send expert groups to screen the environmental credentials of that vendor." At the moment, the centre is involved in more than 250 projects.

The new European Bank for Reconstruction and Development (EBRD) may also provide another impetus for the governments of eastern Europe to place the environment higher up on the agenda. Although the EBRD has not yet been inaugurated it has already set up a number of projects.

These include a study on the municipal waste water treatment

plants in Bratislava, the capital of Slovakia, and in the long term the reduction of lead in Copea Mica, Romania, a region which is an environmentalist's nightmare.

Western involvement is clearly encouraging for the governments, and particularly for the NGOs in eastern Europe. The attraction of moving closer towards the EC is an incentive in itself to bringing the region's standards in line with the EC. And despite the legacy of the communist era western experts believe that the costs of cleaning up the environment are exaggerated.

A report published by London-based Centre for Economic Policy Research¹ concluded, perhaps optimistically, that "the problems of most east European countries are not serious. There are 'black spots' in eastern Europe with very high levels of exposure, but such localised problems still exist in all of the industrial economies. The air quality in Krakow and Katowice (in Poland) can be very bad, but 20 years ago it could be equally bad in the Ruhr, Port Talbot and Pittsburgh. Complaints about car exhausts and pollution in Budapest are almost identical to those in Athens - both tend to be highly exaggerated."

Maybe so. But eastern Europe has also lost much time in tackling the environment. To that extent, time is short. More co-ordination between

"Complaints about pollution in Budapest are almost identical to those in Athens - both tend to be exaggerated"

all the western organisations and the governments of eastern Europe, is likely to speed up change and set a coherent agenda for the future.

¹ World Bank news release, No 90/74 and its paper on the Environment.
² Summary of Projects, issued by Directorate General, Environment, Nuclear Safety, Civil Protection, Commission of the European Communities.

³ Eastern Europe: Environmental Briefing, January 1990.

⁴ Studies available from ESI, 292 Pentonville Road, London N1 9NR.

⁵ Miklos Ter 1, Odbuda, 1035 Budapest.

⁶ "Are the costs of cleaning up eastern Europe exaggerated? Economic Reform and the Environment. Discussion Paper No. 482, November 1990. Centre for Economic Policy Research."

⁷ Environmental Issues in Eastern Europe. Setting an Agenda. Royal Institute of International Affairs and World Conservation Union.

Future articles will examine opportunities for western companies in individual eastern European countries.

Treuhandanstalt Cottbus Branch

Tender for the sale of companies in the Region of COTTBUS / BRANDENBURG / GERMANY

Treuhandanstalt Cottbus Branch herewith announces the tender for the sale of presently wholly owned companies in the region of Cottbus, situated 100 miles south/east Berlin, as listed below with the standing by conditions:

ARGO-DATA GmbH
ARCUS Planung und Beratung
Bauplanungsgesellschaft mbH
ASS Automobil-Service GmbH
Auto-Service-Center Herzberg GmbH
Autohaus Nordpark GmbH
Bausanierung Kolkwitz GmbH
Behälterbau GmbH
COGALS GmbH
Chemische Reinigung und Färberei GmbH
City-Automobile GmbH
Containerbau GmbH
Cottbuser Planungs- und Ingenieurbüro GmbH (COP) GmbH
Cottbuser Backstuben GmbH
Cottbuser Obstbau GmbH
Cottbuser Textilreinigung GmbH
Dienstleistungen Handwerk-Handel GmbH
Drebkau-Glas GmbH
dreieck-Holzhandel GmbH
elmak Elektro- und Sanitär-Installation Maler GmbH
Elster-Keramik GmbH
FUWEBA GmbH
Fahrzeug und Maschinen FaMa GmbH
Feingießerei Spremberg GmbH
Filterbau GmbH
Finsterwalder Holzverarbeitungs GmbH
Finsterwalder Möbelmarkt GmbH
Forster Autohaus GmbH
Forster Dienstleistungen GmbH
Forster Getränke GmbH
Getränkherstellungs- und Vertriebsgesellschaft mbH
Getreide- und Futtermittel-handel GmbH

Großhandels-gesellschaft
Haushaltswaren GmbH
Großräucherer Bau GmbH
Gubener Getränke GmbH
Gubener Hölze GmbH
Gubener Lederwaren GmbH
HERFI-Handels GmbH
HOSENA SPEZIALGLAS GmbH
Haide-Glas GmbH
Handels-gesellschaft Textilwaren Bekleidung Grotex GmbH
Herzberger Monolith und Montagebau GmbH
Holzbearbeitungswerk Neu Zauche GmbH
Holzverarbeitung Forst GmbH
Holzverarbeitung Guben GmbH
Ingenieurbüro Bautechnik Cottbus GmbH
Innenausbau Cottbus GmbH
Insta-Bau GmbH
Jaquard- und Konfektions-textilien GmbH
KERATON-Elmo Plessa GmbH
KIB Autoservice Guben GmbH
Kalksandsteinwerk Dissenchen GmbH
Klinkerwerk Buchwäldchen GmbH
Klinkerwerke Lichterfelde GmbH
Kunststoffwerk Forst GmbH
Landhandel Cottbus GmbH
Landhandel Luckau GmbH
Lausitzer Kontaktring Elektronik, Spiel, Freizeit GmbH
Lausitzer Handelskontor GmbH
Lausitzer Schuh- und Lederwaren-Handels GmbH
Lausitzer Textilreinigung Forst GmbH
Lubwart Hoch- und Tiefbau GmbH
Maschinen- und Stahlbau GmbH

Maschinenbau Dahme GmbH
Merkur-Möbel-Vertrieb GmbH
Metallbau und Landtechnik GmbH
Möbelring Lauchhammer GmbH
Muckwar Keramik GmbH
Niederlausitzer Baustoffhandel GmbH
OAZ Buchungsgesellschaft mbH
OMNIA Spedition Transport Service GmbH
Obstbau Handels- und Vermarktungs GmbH
Ortrander Eisenhütte GmbH
PROJEKT-PLAN GmbH
Peltzer Edelfisch GmbH
Polstermöbel Annaburg GmbH
SIM GmbH Stahlbau, Ingenieurtechnischer Maschinenbau
Schnitzholz- und Parkett GmbH
Spedition Zülzdorf GmbH
Spezialbohrungen GmbH
Spreewald-Verkehrs GmbH
Textilpflege Bad Liebenwerda GmbH
Textilpflege GmbH Lübbenau
Tierkörperbeseitigungs-anstalt Bresinchen GmbH
Tierzuchtsservice Cottbus GmbH
Tröbitzer Landmaschinen GmbH
Vereinigte Holzindustrie Finsterwalde GmbH
Verkehrs- und Instandhaltungsgesellschaft mbH
Wäscherei und Dienstleistungen GmbH
Wasser-, Tief- und Kulturbau GmbH
Welzower Betonwaren GmbH
Wohn-Gewerbe-Spezial-Bau GmbH

Tender conditions:

- Everybody is entitled to bid. Bids are to be for the total share capital of the companies. All offered companies are in the legal form of a limited liability company (GmbH) and are of small and medium size.
- Closing date for the bids is April 2, 1991 at 2 p.m. Bids are to be submitted to Treuhandanstalt, Niederlassung Cottbus, Gubener Straße 24, D-(O)-7500 Cottbus, Germany, Tenderbox 6th floor. Bids by registered mail must arrive latest by that date. The bids will be opened immediately thereafter in the presence of two officials.
- Bids are to be submitted in a sealed envelope marked with the name of the company for which the bid is submitted.
- Bids are to be in Deutscher Mark and valid for ninety days after closing date.
- Bids have to be accompanied by a bid bond of five percent of bid value in the form of an irrevocable bank guarantee valid for ninety days after closing date. The bid bond will be returned to the unsuccessful bidders immediately after the final decision is made. The bid bond will be retained if the successful bidder fails to accept the decision.
- Decisions on the bids will be made by the Treuhandanstalt Cottbus Branch. Treuhandanstalt is not bound to accept the highest or any bid. The statement of the bidder according to para 7 of these conditions is of main importance. Existing cooperation agreements with the offered companies will be evaluated if submitted together with the bid.
- The bids have to include a statement on the intentions of the bidder regarding the envisaged future of the company, e.g. continuation in its present form, change of product line, mergers, etc. To be included are investment and employment forecasts for the next three years.
- Each bidder is requested to make his own physical inspection and assessment of the company. The addresses of the offered companies and the name of the manager are available at the Treuhandanstalt Cottbus Branch, where each bidder will be given an authorisation letter to visit the respective company. The managers have been instructed to provide each and every information required by bidders duly authorised by such letter.

These tender conditions are translated from the German language. In case of dispute the German wording will prevail.

Günter Lohmann
Director Cottbus Branch

Treuhandanstalt Cottbus Branch

Gubener Straße 24, D-(O)-7500 Cottbus
(East Germany, formerly the GDR)
Telephone Cottbus 491-0
Telex (0 69) 17 406 rdbln dd

COMMODITIES AND AGRICULTURE

'Very clouded' outlook seen for aluminium

By Robert Gibbens in Montreal and Kenneth Gooding

THE ALUMINIUM industry's outlook is "very clouded" but any immediate improvement in prices is unlikely, says Mr David Morton, chairman of Alcan Aluminium, the world's biggest primary aluminium producer.

The publication of his remarks yesterday in Alcan's annual report coincided with a forecast by the International Primary Aluminium Institute that western world primary aluminium production capacity would rise by 10 per cent by the end of 1993, from 14.73m tonnes in December, 1990, to 16.20m tonnes.

The figures are roughly in line with analysts' expectations, says Mr Neil Buxton of Shearson Lehman Brothers points out that, whereas a year ago it was thought the extra capacity would be urgently needed, there is now no desperate requirement for it.

Malaysian rubber output at lowest for 20 years

By Lim Siong Hoon in Kuala Lumpur

MALAYSIAN RUBBER last year stood at 1.29m tonnes, down 9 per cent from 1.42m tonnes in 1989 and the lowest level for 20 years, according to the Statistics Department.

The latest official figures confirm the increasingly precarious state of agriculture in Malaysia, where production is still affected by labour shortages and a reduction in planted acreage. Last year's actual rubber output is 4 per cent below earlier estimates of 1.35m tonnes, and it casts doubt on the forecast that production will reach 1.4m to 1.5m tonnes this year.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's base price)

ANTIMONY: European free market 99.6 per cent, \$ per tonne, in warehouse, 1,710-1,770 (same).

BISMUTH: European free market, min. 99.99 per cent, \$ per lb, tonne lots in warehouse, 2,80-2,90 (same).

CADMIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 2,20-2,40 (0.20).

COBALT: European free market, 99.5 per cent, \$ per lb, in warehouse, 13,90-14,50 (14.50-15.00).

MERCURY: European free market, min. 99.99 per cent, \$ per 76 lb flask, in warehouse, 135-180 (same).

MOLYBDENUM: European free market, drummed molyb-

dic oxide, \$ per lb Mo, in warehouse, 2,50-2,60 (2,60-2,65).

SELENIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 4,80-5,40.

TUNGSTEN ORE: European free market, standard min. 65 per cent WO₃, \$ per tonne unit (10 kg WO₃), 45-51.

VANADIUM: European free market, min. 98 per cent, \$ a lb V₂O₅, \$ 2,55-2,70 (2,60-2,78).

URANIUM: Nuxco enrichment value, \$ per lb, U₃O₈, 9.70 (same).

LEAD WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium +3,525 to 317,900

Copper +1,400 to 188,850

Lead +534 to 4,205

Nickel +900 to 57,400

Zinc +145 to 20,245

Grounds for concern on Australian farms

Geoff Tansey on efforts to repair the damage done by two centuries of agricultural mismanagement

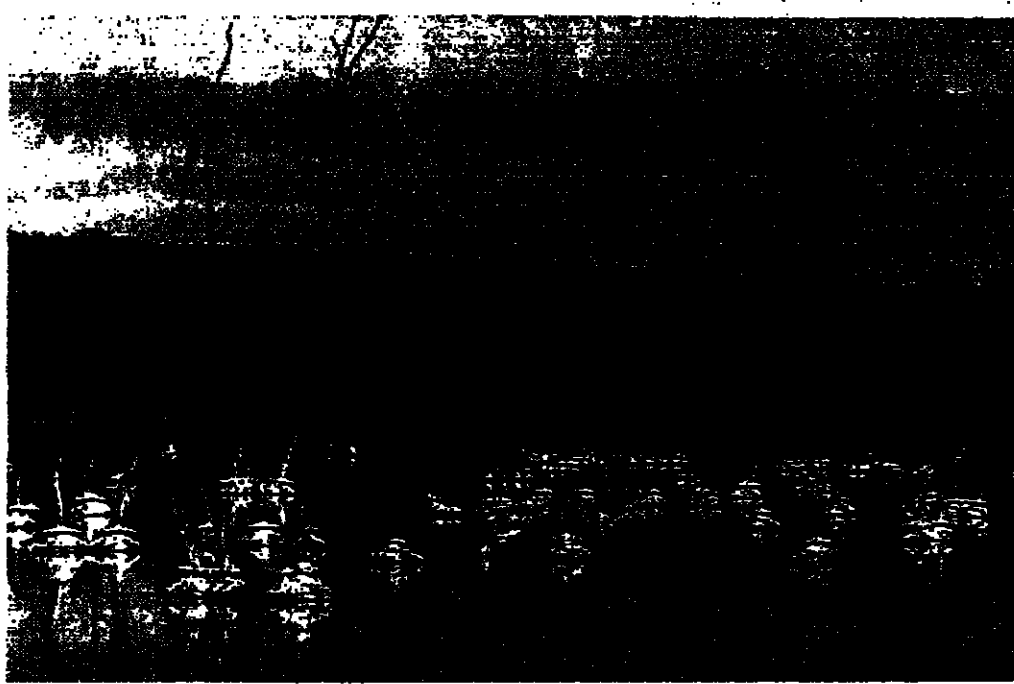
FOR MOST Australians the country's number one environmental problem - land degradation - is hard to see unless it blows into the cities in a dust storm or turns the snow red.

But wind and water erosion, salinisation and soil acidity threaten the future of Australian agriculture, which accounts for about 60 per cent of the country's export earnings. More than 55 per cent of land is degraded in the arid zone and in the non-arid zones 68 per cent of the extensive cropping areas need treating to combat degradation, according to Mr Rod Roberts author of Land Conservation in Australia - A 200 Year Stocktake.

Annual losses of agricultural and pastoral production because of land degradation amount to about A\$600m (224m) according to a study by the Department of Primary Industries and Energy. Treatment will cost at least A\$300m, probably more, estimates Mr Roberts. He bases this on the only national assessment of land degradation, made in the mid 1970s. "It is unlikely the situation has improved," he says.

Agriculture's long-term prospects are good, believes Mr Philip Eliason, the National Farmers Federation's deputy director, but he agrees that it requires a sustainable environment. "Our environmental problems are very different from the European Community's," he says. "The EC's seem to stem from overuse of inputs. In Australia it's more to do with the system groundwater movements, salinisation, deforestation and desertification of soils."

These problems led the NFF, which represents about 170,000 farmers through 23 affiliated



Caked salt deposits on dead trees advertise the excessive salinity that killed them

organisations, into an unusual alliance with the Australian Conservation Foundation, which has over 22,000 members.

Early in 1989, they lobbied the federal government to increase funding to voluntary groups to tackle land degradation. The result was a 10-year Commonwealth commitment of A\$340 million to a Landcare programme - a name borrowed from the state of Victoria, which started LandCare in 1986.

Ms Miriam Wallis is secretary of one of the oldest Landcare groups at Whiteheads Creek Catchment Area, about 50 miles north of Melbourne, Victoria, and a member of the Seymour environment group. She believes no government

could fix all the land and wants landholders to "own" their land problems.

After using inappropriate English farming methods for over a century, "now the chickens are coming home to roost," she says. "We tried to turn this country into an English parkland. All this was thick forest, and we burnt it down."

Mr Tom Newton, chairman of the group, agrees. He shepherds on a motorbike and his sheepdog rides with him until they reach the paddock. "It is easier on his feet," explains Mr Newton, who has over 6,000 sheep on some 3,000 acres. The ironstone soil is rock hard, due to heavy stocking with hard-hoofed animals rather than the

soft-footed native marsupials. Tree clearing has led to salinisation in some places and earlier burning and grazing also led to changed pastures, with annuals rather than perennials, giving erosion problems.

Today, the group, which was established in 1987 and now has more than 40 members, is busy planting trees. The work is slowing run-off, reforesting hill tops where water infiltrates into the groundwater table and causes salinity by raising the water table, and preventing gully erosion. But there is a long way to go.

"The bottom line is improving the land, sustaining productivity," says Ms Wallis. Every three months there is a general meeting with a speaker plus a newsletter, field days

and farm walks. It may not sound much but "we talk to one another a lot, and we didn't before." She feels the group has engendered a great sense of community.

Traditionally, farmers did not interfere with what a neighbour did on his farm or even discuss it, according to a senior national official, "but with Landcare they go for walks on other farms and actually ask why you are doing that?" He believes Landcare groups are "the most significant sociological change in rural Australia," as they are breaking down barriers between farmers.

The programme aims to "catalyse not subsidise" groups. "The US government provides over A\$1m for soil conservation and farmers see it as a government responsibility," says an official. "We don't want that. Soil conservation must be part of farming, they must own it."

Landcare groups are springing up rapidly. In Victoria, about 30 groups involve some 3,700 landholders with 1.8m hectares - more than the total area of National Parks in the state. Nation-wide, about 15,000 landholders are in about 600 groups according to a report on the first year, with group numbers expected to peak at up to 1,500 by 1995.

The Whiteheads Creek group is supported by a state land protection advisory officer, Mr Bruce Radford. They also have a paid co-ordinator to help organise group activities, liaise with government services and seek grants.

In fact, only a little money is available directly for the groups - about A\$1.5m for grants for tree-planting etc. out of \$28m last year. Most of the money pays for group co-ordi-

nators and facilitators, with Agribank put into research on land problems.

But Landcare groups alone will not reverse land degradation, warns Mr Andrew Campbell, author of a report on the first year's progress. They are just one part of a triangle, the others being "to have viable technical solutions available and a favourable socio-economic framework" like new rating systems that promote land improvements and do not penalise them.

That may mean committing more money than the federal and state governments want. Each state interprets the programme its own way. The national soil conservation programme only began in 1984 as, constitutionally, soil conservation is a state responsibility. "I hope Landcare will keep going but fear funding may be cut," says Mr Jack Wallis, a founder member of the Whiteheads Creek group. "I don't think we should rely on subsidies or handouts, but incentives."

But voluntary action may not be enough to deal with land degradation as only the most aware farmers are likely to join. Drawing an analogy with pollution, where the polluter pays penalties, Mr Roberts calls for any unreasonable or negligent use of the land to be outlawed.

Others say Landcare does not go far enough. Since the problem lies with the farming system used in Australia, the basic need is to change the production system, according to Mr David Dunsmead, Lecturer in Agro-ecology at the Australian National University. To do that, many more people in government, farming and the cities must face up to the effects of 200 years of inappropriate European agriculture.

Trees provide desert shield for Sudan's irrigated farm land

John Madeley describes a project to build natural defences against sand-encroachment in the Sahel

ON HIS small plot of land in the desert, some 300 miles northwest of Khartoum, Awad Wadazumu knows that his very survival depends on withstanding the assaults of a merciless enemy - the sand.

Lying close to the River Nile, Wadazumu's land is silt and fertile. But when the prevailing winds blow, they carry in sand from the desert to the edge of agricultural land in his village, where it forms a wall that encroaches gradually into the fields, threatening the soil that supports Wadazumu's sorghum, wheat, broad beans and okra.

How to stop that sand is the question uppermost in the minds of Awad Wadazumu and his neighbours. Now he believes that he may have

found part of the answer - a shelter-belt of trees.

In July, 1989, Wadazumu planted out tree seedlings on the side of his land that the wind and sand usually attack. The seeds were supplied under a community forestry project funded by the Rome-based International Fund for Agricultural Development and run by a voluntary organisation called SOS Sahel, which is active in tree planting in six Sahel countries.

Last year Awad Wadazumu watched as the seedlings of the fast-growing mesquite tree developed into a thick wall of trees several metres high - mesquite grows by as much as 4 metres a year and spreads out considerably.

This thick shelterbelt is not only protecting his crops; it

enables him to cultivate right up to the trees at the edge of his land, something that he previously found difficult as this boundary area was the most exposed to drifting sand.

Wadazumu's experience is shared by other farmers both in his own village and in other villages in the district. Unusually for the Sahel, they are not engaged in "rain-fed" agriculture. "It doesn't rain, nobody expects rain, agriculture is dependent on irrigation from the Nile," said Mr Paul Laird, the project's manager until earlier this year.

This means that farmers have to invest in pumps, possibly wells, and a lot of effort in terms of their own labour. "Once the farmer has made

these investments, farming can be extremely productive," said Mr Laird.

Output is high, provided that farmers can get enough water. Farmers in the district also grow maize, onions, alfalfa, citrus, watermelon and tomatoes.

SOS Sahel began working along the Nile six years ago, with a project to protect farmland and homes in Sheriki district, north of Khartoum. In 1983 it was invited to extend its activities to the more northerly Ed Debba district, where Awad Wadazumu has his farm, which is deeper into the desert and has more acute sand problems and less infrastructure.

"Ed Debba has a particularly severe sand-encroachment problem," said Mr Laird. The project, which started in May,

1989, supplemented the considerable efforts that farmers were already making to cope with the problem. Nurseries were built and farmers given help with irrigation problems and encouraged to grow seedlings themselves.

"It got off to a slow start, but every day now farmers are planting sections of shelter-belt," said Mr Laird. "Where they perceive the need, they are buying seedlings from the nursery, or growing seedlings themselves and coming to us if they need any help - with irrigation, for example."

Some 50,000 seedlings have been planted out in Ed Debba district in the last two years, forming shelterbelts ranging in width from 6 to 24 metres. In all, about 20 kilometres of shelterbelts have been established.

Although newly planted belts are fragile, "some of the sites are now established and their roots are down to the groundwater, which means they don't need irrigation any more," said Mr Laird. In one village, where farmers are surrounded by high sand dunes, shelterbelts are being planted in hollows within the dune area, so as to allow farmers to grow date palms.

"Shelterbelts can make a big difference to agricultural productivity," said Mr Laird. "They can help to prevent sand encroachments on to good farming land and also open up new land for farming which might be further away from the river, possibly in the open desert, where you have wind howling across and shelter is even more important."

WORLD COMMODITIES PRICES

COCOA - London POX			
	Close	Previous	High/Low
Mar	599	595	600 598
May	626	625	628 619
Jul	658	655	660 650
Sep	682	680	682 670
Dec	715	715	715 710
Jan	742	742	742 737
Mar	761	762	762 760

Turnover: 10,925 (775) lots of 10 tonnes

ICO indicator prices (US cents per pound) for Feb 25: 83.81 (84.17) 10 day average for Feb 25: 84.51 (84.17)

POTATOES - London POX

	Close	Previous	High/Low
Mar	538	544	544 536
May	557	564	564 548
Jul	572	568	567 562
Sep	588	585	587 582
Dec	601	601	601 597
Jan	621	619	617 615

Turnover: 815 (767) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Feb 25: 10.52 (10.52) 10 day average for Feb 25: 10.52 (10.52)

SOYABEANS - London POX

	Close	Previous	High/Low
Mar	115.00	115.00	115.00
May	113.50	114.00	113.50
Jul	111.00	111.00	111.00

Turnover: 100 (30) lots of 20 tonnes

ICE Index point

	Close	Previous	High/Low
Mar	1680	1677	1682 1678
May	1698	1690	1695 1685
Jul	1714	1706	1710 1700
Sep	1720	1718	1720 1710
Dec	1730	1728	1730 1720
Jan	1740	1738	1740 1730

Turnover: 291 (134) lots

GRAPES - London POX

	Close	Previous	High/Low
Mar	126.45	126.45	126.80 125.60
May	128.80	128.45	128.85 128.45
Jul	130.00	129.20	130.75 128.00
Sep	132.00	131.00	132.00 131.00
Dec	133.00	132.00	133.00 132.00
Jan	134.00	133.00	134.00 133.00

Turnover: 100 (25) lots, Barley 112 (21)

Turnover: 100 lots of 100 tonnes

PEAS - London POX (Cash Settlement) p/q

	Close	Previous	High/Low
Mar	111.5	111.5	111.5
May	110.0	110.0	110.0
Jul	108.0	108.0	108.0

Turnover: 12 (44) lots of 3,250 kg

MOIST - London POX

	Close	Prev.	High	Low	Vol
Indx	158.88	158.88			
Mar	158.88	157.10	158.80	157.50	82
Apr	157.20	157.20	158.80	157.20	96
May	157.50	157.00	157.50		40
Jun	157.00	156.00	156.50	157.00	42
Jul	156.00	156.00	156.00		20
Sep	156.00	156.00	156.00		20
Dec	156.00	156.00	156.00		20

LONDON METAL EXCHANGE			
	Close	Previous	High/Low
Aluminium, 99.7% purity (5 per tonne)	1555-50	1515-50	1540/1536
Cash	1555-50	1515-50	1540/1536
3 months	1555-50	1515-50	1540/1536
3 months	1555-50	1515-50	1540/1536

Total daily turnover 20,362 lots

Grain, Grade A (2 per tonne)

	Close	Previous	High/Low
Cash	1324-5	1289-7	1311/1307
3 months	1287-5	1289-7	1280/1281
3 months	1287-5	1289-7	1280/1281

Total daily turnover 5,233 lots

Lead (2 per tonne)

	Close	Previous	High/Low
Cash	8850-70	8815-25	8905
3 months	8850-70	8815-25	8905
3 months	8850-70	8815-25	8905

Total daily turnover 1,258 lots

Nickel (2 per tonne)

	Close	Previous	High/Low
Cash	8850-70	8815-25	8905
3 months	8850-70	8815-25	8905
3 months	8850-70	8815-25	8905

Total daily turnover 1,434 lots

Oil (5 per tonne)

	Close	Previous	High/Low
Cash	5810-5	5800-50	5825/5810
3 months	5790-10	5740-5	5750/5705
3 months	5790-10	5740-5	5750/5705

Total daily turnover 5,233 lots

3m, Special High Grade (3 per tonne)

	Close	Previous	High/Low
Cash	1197-5	1198-20	1217/1208
3 months	1197-5	1197-2	1205/1193
3 months	1197-5	1197-2	1205/1193

Total daily turnover 18,072 lots

ICE Closing US rate

SPOT: 1.9170 3 months: 1.8883 6 months: 1.8887 9 months: 1.8485

LONDON BULLION MARKET			
	Close	Previous	High/Low
Gold (fine) 999.9	358.00-359.00	358.00-359.00	358.00-359.00
Opening	358.00-359.00	358.00-359.00	358.00-359.00
Morning fix	359.10	185.00	
Afternoon fix	359.25	187.50	
Day's high	359.70-361.10	187.50	
Day's low	358.20-359.80		

Local Ldn Mtns Gold Lending Rates (Vs US\$)

	1 month	2 months	3 months	6 months	9 months	12 months
1 month	5.51	5.52	5.53	5.54	5.55	5.56
2 months	5.52	5.53	5.54	5.55	5.56	5.57
3 months	5.53	5.54	5.55	5.56	5.57	5.58

PLATINUM 50

LONDON STOCK EXCHANGE

Cautious on corporate trading news

UNCERTAINTY over the conflict in the Gulf set the stage yesterday for further profit-taking in the UK stock market as investors braced themselves for the impending round of profits statements from leading British companies. Overall, London followed the downward trend by other global equity markets but was attempting to rally until Wall Street opened the new session with a sharp fall.

Equities started the day lower and then gave further ground in the face of some selective selling by institutions which took the view that it was time to take profits. The FT-SE 100 slipped nearly 16 points but steadied at 2,319.2, still comfortably above the 2,300 mark regarded by many analysts as the new trading base level. Early losses were

Account Dealing Dates

Account Dealing Dates	Feb 11	Feb 25	Mar 11
First Dealing Date	Feb 11	Feb 25	Mar 11
Second Dealing Date	Feb 25	Mar 11	Mar 27
Third Dealing Date	Mar 11	Mar 27	Apr 10

reduced despite a somewhat mixed response to the opening batch of trading results from blue chip companies, and also President Bush's warning that the allies would continue to prosecute the war against Iraq with undiminished intensity.

The market's recovery was checked by expectations that New York would open lower and share prices turned down again towards the close as Wall Street fell by 21 Dow points in London trading hours.

The FT-SE index ended the day 13.3 points down at 2,319.2. Sea volume, which appeared to increase as share prices eased towards the close, totalled 502.5m shares compared with 538.2m in the previous session. Retail or customer, interest in UK equities has remained brisk over the past week, according to data from the International Stock Exchange.

A significant week spot was ICI, which fell sharply ahead of the trading statement due tomorrow. The fortunes of the blue chip chemical company are regarded as an important barometer of UK business confidence and a bearish statement from the ICI boardroom could unsettle market morale.

announcing profits which were at the lower end of City forecasts. Concern regarding the outlook for the corporate reporting season was also triggered by some disappointment that National Westminster Bank yesterday left its final dividend for 1990 unchanged. Traders nervously marked down their share quotations for the insurance sector which today faces trading statements from Commercial Union and General Accident.

Among other features of the day, RMC, the construction materials producer, fell back after announcing a 27m cut in its 1990 dividend, a move which was seen as a portent of a downturn in the building sector and some other stocks in this area continued to weaken.

Market strategists debated the significance of yesterday's correction in the stock market. Most agreed that the UK stock market was overbought at the end of last week and that the onset of the corporate reporting season could open the way for a bout of profit-taking after the remarkable advance of the past six weeks.

But underlying expectations of further cuts in UK base rates remain strong and have apparently been unaffected by Monday's news of a widening in the UK trade deficit in January. Salomon International, the US based investment bank, said that the next few weeks "may see a market correction," but predicts a Footsie index of 2,750 by the end of this year. Hoare Govett commented that the pattern of the major market indices is "very bullish."

FINANCIAL TIMES STOCK INDICES

	Feb 26	Feb 25	Feb 22	Feb 21	Feb 20	Year	High	Low	Since Completion
Government Secs	85.30	85.65	85.57	85.72	85.78	80.39	85.88	74.13	127.4
Fixed Interest	83.80	83.83	84.18	84.12	84.14	89.41	84.22	83.80	105.4
Ordinary Share	1855.0	1868.5	1848.7	1844.6	1826.2	1781.5	1968.3	1510.4	2008.6
Gold Mines	131.2	128.4	127.0	130.2	131.7	284.7	378.8	127.0	734.7
FT-SE 100 Share	2322.2	2335.5	2314.3	2312.4	2296.8	2254.8	2463.7	1990.2	2463.7
FT-SE Euroshare 200	1079.79	1092.31							
Ord. Div. Yield	5.19	5.18	5.21	5.22	5.25	4.89	5.25	4.89	5.25
Earning Yld % (full)	10.82	10.75	10.86	10.87	10.85	11.82	10.85	10.85	11.82
P/E Ratio (Net)	11.17	11.25	11.13	11.13	11.04	10.43	11.04	10.43	11.04
SEAD Earnings 4.45p	29.91	32.785	31.193	29.807	28.731	22.248	32.785	28.731	32.785
Equity Turnover (m)	326.83	329.14	329.47	329.47	329.47	329.47	329.47	329.47	329.47
Equity Turnover (m)	326.83	329.14	329.47	329.47	329.47	329.47	329.47	329.47	329.47
Equity Turnover (m)	326.83	329.14	329.47	329.47	329.47	329.47	329.47	329.47	329.47
Equity Turnover (m)	326.83	329.14	329.47	329.47	329.47	329.47	329.47	329.47	329.47

GILT EDGED ACTIVITY

	Feb 25	Feb 22
Gilt Edged	93.4	88.8
Bargains	93.4	88.8
5-Day average	95.3	96.3

SE Activity 1974. Including intra-market business & overseas turnover.

London report and latest share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

Value	Price	Value	Price	Value	Price	Value	Price	Value	Price
100	100	100	100	100	100	100	100	100	100

Based on trading volume for most Alpha securities dealt through the SEAD system yesterday until 4.30pm.

ICI drops on results warnings

ICI was one of the worst performers of the day among FT-SE 100 stocks as UBS Phillips & Drew joined Barclays de Zoete Wedd in warning investors to prepare themselves for a less than bullish news from the company's results tomorrow.

UBS said that, excluding pharmaceuticals, the company made a loss in the fourth quarter of 1990. "The current profitability of ICI, if annualised, would not cover the dividend, and there is a medium-term risk that the dividend will be cut," UBS recommended investors to sell ICI stock.

BZW agreed there was some risk for the 1991 dividend but said the key to its caution was the belief that an earnings recovery was already in the share price. The wide range of analysts' forecasts for the medium term add to the uncertainty surrounding the stock.

ICI closed just a penny above the day's low at 86p for a net drop of 83. Volume was a steady 1.5m. Analysts said there had been reports of some US selling.

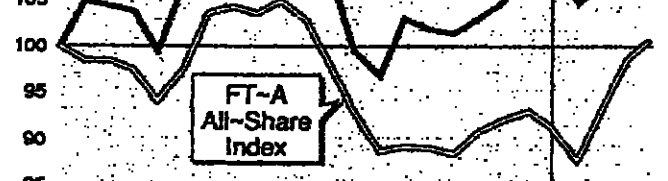
RMC gives ground

RMC, the world's biggest producer of ready-mix concrete, fell 30 to 70p on a turnover of 3.2m as investors switched from the equity stock to a new convertible eurobond. The company increased the issue size by £3m to £7m and fixed the coupon at 8 1/2 per cent. Marketmakers said trade was brisk and the shares were further depressed by news that Germany is increasing its rate for corporate tax.

The new tax level, established to help to pay for Germany's commitment to the Gulf war and investment in the former east Germany, will affect RMC, which has around a fifth of the concrete market in the former west Germany.

However, analysts said the British method of calculating tax would diminish the impact of the change and the stock was moved principally by the adverse sentiment.

Some observers said the healthy state of the company was offset by the parlous state of the building industry, especially among heavy materials suppliers where unit costs



Unilever started to outperform the rest of the UK market strongly last year as attention focused on its exposure to Europe.

With over 50 per cent of profits coming from continental Europe, Unilever attracted US fund managers who began to buy the shares in the fourth quarter of 1990. UK investors also added to their portfolios and investment increased, as the UK and US economies slowed down. With the group expected to further expand its interests in Europe as the single market draws nearer, many analysts believe the shares will continue to outperform the stock market.

were bound to rise because of competitive price cutting and smaller orders.

NatWest disappoints

National Westminster surprised the market by making no increase in its final dividend, set at 11.37p for the second half of 1990. The shares fell 16 to a low of 278p, but rallied to only a net fall of 281p. Dealing was active and 12m shares changed hands. One bank sector specialist described the decision to leave the final dividend unchanged as "a real shock". Most analysts were expecting only a small increase in the full year dividend, 18p versus 17.5p.

However, the life insurance stocks were generally firmer as investors favoured their defensive qualities and as analysts reckoned that they would increase their dividends. Britannia closed 18 higher at 726p, while Refuge was 23 up at 650p.

Sedgwick initially turned easier after reporting full year profits of £69.3m, against a pre-

vious £86.1m and expectations of £84m to £90m. A £21m exceptional item took the market by surprise and at one stage the shares were down 7 at 228p.

However, they bounced back and eventually closed up 4 at 238p as investors took comfort from the fact that without exceptional items the profits would have been better than expected. Barclays de Zoete Wedd reduced its current year forecast to £80m from £90m after the results were released.

Among former merchant banks, Kleinwort Benson once again stood out on continuing speculation about a bid from a European bank, with Indosuez still being mentioned as the most likely interested party. Kleinwort finished 21 stronger at 349p.

Century Oil, the manufacturer of specialist lubricants, climbed 8 to 120p as Fuchs, of Germany, said it was making a 110p cash offer for the company. Fuchs last week increased its stake in Century to 13.5 per cent.

Analysts, however, considered the offer to be too low to elicit a shareholder acceptance. "The share price is telling us that the offer is totally inadequate," one oil specialist commented. Analysts said Fuchs would have to pay 130p to 140p per share to gain control of Century.

M.J. Gleeson gained 32 to 685p on persistent bid and buying and hopes of Kuwaiti rebuilding contracts. Henry Boot rose 10 to 495p, Laing 8 to 305p and Tilbury 12 to 650p.

Countrywide Properties lost 8 to 123p following a confident stance which nevertheless mentioned the distressed state of the building industry and the company's high borrowing.

Unilever came under pressure following its final results. The £1.782bn profits compared with £1.708bn last time, but the 19.5 per cent increase in the cost of restructuring its manufacturing operations for the single European market was a disappointment and the shares retreated 11 to 710p. Analysts expect profits this year of £1.9bn.

Granada slipped 3 to 186p as Mr Jeffrey Harwood at UBS Phillips & Drew said the group's current trading was difficult and investors should brace themselves for a cautious statement at next week's annual meeting.

Bank Organisation dropped 17 to 701p in a delayed reaction to going ex a 20p dividend on Monday. The company visited at least two large broking houses yesterday. Mr Bruce Jones at Smith New Court said the tone was positive in the context of a difficult trading environment.

APPOINTMENTS

of both companies, which are part of the LYONNAISE des EAUX-DUMEX GROUP. He was financial controller of the North Eastern Co-op.

Mr Graham Colbourne has been appointed chief operating officer at BARCLAYS MORTGAGE, a Canadian institutional investment company in which Barclays de Zoete Wedd Asset Management acquired a 60% stake last month. He was director responsible for international business development at BZW Investment Management in London.

Mr Edwin Falkous has become a director of WESSEX WATER, Bristol. He is president of Waste Management International and a vice president of Waste Management, Inc.

Mr Robert Fisher has been appointed president and managing director of JOHN CRANE INTERNATIONAL, a TI Group company, from March 1 when he joins TI's executive board. Mr Fisher was president of FMI Food Equipment Group.

JOHN MOWLEM & CO has appointed Mr John Turkington as group treasurer. He was group treasurer at Racal Electronics.

GE CAPITAL, affiliated with General Electric Company, US, has established a new corporate and industrial

funding group and appointed Mr George R. Tappert as managing director. He was head of corporate financing activities.

LEX VEHICLE LEASING, Marlow, has appointed Mr Gary Spelkins as sales director. He was sales director at American Express.

Mr Tim Norman has been appointed head of property finance at THE FIRST NATIONAL BANK OF BOSTON, London branch. He was finance director of Reunion Holdings.

ERNEST GREEN AND PARTNERS HOLDINGS has appointed Mr Michael Moxon as group chief executive from April 1. He joined as deputy chief executive last December, and was formerly managing director of Marley Europe and a main board director of Marley. Mr Moxon succeeds Mr Brian Rider who will continue as an executive director of the group and deputy chairman until January 1 next year when he will become non-executive deputy chairman.

OXFORD CHEMICALS has promoted Mr Bryan Price from commercial manager to commercial director.

A British Railways subsidiary, BR TELECOMMUNICATIONS, has appointed Mr Simon Gum as director of finance, and Mr

John Wardell as director of operations. Mr Gum was group financial controller at Miles Group. Mr Wardell was head of network services with Kingston Communications (Hull), the town's own telephone system.

Mr Chris Evans has become appointed actuary at ABBEY LIFE in addition to his post as director, operations and planning. He succeeds Mr Pat O'Keefe who joins Bacon & Woodrow as a partner.

FUND RESEARCH has appointed Mr Nigel Slade as sales and marketing director. He joins from Lombard Odier Investment Management.

HUNTING GATE GROUP has appointed Mr John Theophilus (pictured) as group finance director. He was finance director of London & Metropolitan.

turn, was a way into Telecom. Mr Paul Norris at BZW added that growth in cellular telephones in February had shown a rebound from a disappointing January, and an upbeat presentation yesterday would "see off" competition from the rival PCN into the mid-1990s. PCN will introduce three new competitors in mobile voice communications by 1993. Racal Electronics moved in a two-point range before ending unchanged at 189p. Telecom slipped 5 to 325p.

British Aerospace picked up 11 to 574p following a confident chairman's statement and the announcement of a 13 per cent rise in profits to £287m. However, some analysts argued that there would only be a small increase in defence spending and the domestic recession would continue to restrain performance, although BAE was cutting costs.

STEWART & SONS estimate by £25m to £400m. County NatWest took a more optimistic view and maintained its forecast of £430m. A general shortage of stock

appeared to be behind a jump for Hawker Siddeley, which was up 27 at one stage before easing slightly to close 18 ahead at 515p on unimpressive turnover.

GKN fell 11 to 354p in anticipation of disappointing results next week, and Vickers eased 3 to 205p after the company warned on Monday that 1991 profits were expected to be below 1990 figures.

Other Market statistics, including the FT-Acquities share index, Page 25

LONDON SHARE SERVICE

BRITISH FUNDS

1990/91	High	Low	Stock	Price	%	Yield	Int. Yld.
100	100	100	100	100	100	100	100

BRITISH FUNDS - Contd

1990/91	High	Low	Stock	Price	%	Yield	Int. Yld.
100	100	100	100	100	100	100	100

AMERICANS - Contd

1990/91	High	Low	Stock	Price	%	Yield	Int. Yld.
100	100	100	100	100	100	100	100

INT. BANK AND O'SEAS

1990/91	High	Low	Stock	Price	%	Yield	Int. Yld.
100	100	100	100	100	100	100	100

CORPORATION LOANS

1990/91	High	Low	Stock	Price	%	Yield	Int. Yld.
100	100	100	100	100	100	100	100

COMMONWEALTH & AFRICAN LOANS

1990/91	High	Low	Stock	Price	%	Yield	Int. Yld.
100	100	100	100	100	100	100	100

LOANS

1990/91	High	Low	Stock	Price	%	Yield	Int. Yld.
100	100	100	100	100	100	100	100

FOREIGN BONDS & RAILS

1990/91	High	Low	Stock	Price	%	Yield	Int. Yld.
100	100	100	100	100	100	100	100

AMERICANS

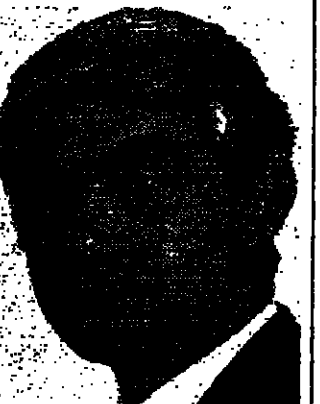
1990/91	High	Low	Stock	Price	%	Yield	Int. Yld.
100	100	100	100	100	100	100	100

Continued on next page

Hawker Siddeley changes

HAWKER SIDDELEY GROUP has made the following appointments: Mr David Edwards as managing director, Crompton Sternacell - he was director of operations at Power Conversion Inc, New Jersey, US, a sister company; Mr Paul Givens as finance director, Crompton Sternacell - he was a senior consultant with Price Waterhouse; Mr Michael Sims as managing director, South Wales Switchgear, in addition to his post as managing director, Brush Switchgear; Mr Clifford Martin changes from manufacturing director, South Wales Switchgear, and Mr John West becomes finance director in addition to his similar post at Brush Switchgear. Mr Tony Harris is promoted from head of quality management at Brush Switchgear.

Mr John Cuthbert has been appointed finance director and deputy managing director of the integrated management team of the recently merged Newcastle and Gateshead Water, and Sunderland and South Shields Water. He has been appointed to the board



HUNTING GATE GROUP has appointed Mr John Theophilus (pictured) as group finance director. He was finance director of London & Metropolitan.

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UK Index Track Dec.	5	90.54	91.53	91.6
UK Index Track Apr.	5	94.66	95.63	101

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● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

Continued on next page

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2125.

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البيان

IRELAND (SIB REGISTERS)									
Unit Trust	Unit Price	Unit Price	Unit Price	Unit Price	Unit Price	Unit Price	Unit Price	Unit Price	Unit Price
Nikko Capital Fund (SIB)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
...
IRELAND (REGULATED)									
Barclays International Fund (SIB)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
...
ISLE OF MAN (SIB REGISTERS)									
Alfred Hughes Unit Fund (SIB)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
...
ISLE OF MAN (REGULATED)									
Equity & Law Unit Fund (SIB)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
...
JERSEY (SIB REGISTERS)									
Alfred Hughes Unit Fund (SIB)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
...
JERSEY (REGULATED)									
Equity & Law Unit Fund (SIB)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
...
LUXEMBOURG (SIB REGISTERS)									
Alfred Hughes Unit Fund (SIB)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
...
LUXEMBOURG (REGULATED)									
Equity & Law Unit Fund (SIB)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
...

Prices are shown in US dollars unless otherwise stated and those shown in US dollars are subject to the US dollar value of the unit. A distribution of US dollars is made to the unit holder in the form of a dividend. The dividend is paid in US dollars and is subject to the US dollar value of the unit. The dividend is paid in US dollars and is subject to the US dollar value of the unit. The dividend is paid in US dollars and is subject to the US dollar value of the unit.

WORLD STOCK MARKETS

[illegible]

CANADA

Sales	Stock	High	Low	Close	Chng	Sales	Stock	High	Low	Close	Chng	Sales	Stock	High	Low	Close	Chng
TORONTO																	
3.00 pm prices February 26																	
Currencies in Cdn dollars unless marked \$																	
12100	ADRIEN PR	81 1/4	14 1/4	14 1/4	- 1/4	1700	Consolidated	83 1/2	32 1/2	33		5700	Loblaw	81 1/2	18 1/4	18 1/4	- 1/4
13100	Air Corp	96 1/4	9 1/4	9 1/4	-	1800	Imperial Ltd	42 1/2	170	170		6200	Maple	104 1/4	104 1/4	104 1/4	- 1/4
13200	Alcan	12 1/2	15	15	- 1/4	2800	Crown A	34 1/2	33 1/2	34 1/2		6300	Shawcat	230 1/2	230 1/2	230 1/2	- 1/4
22500	Alcan A	22 1/4	24 1/4	24 1/4	-	4800	Dominion A	49 1/2	25	25		6400	Sherrill	25 1/2	25 1/2	25 1/2	- 1/4
77700	Am Galt	22 1/4	22	22	- 1/4	5800	Dominion B	49 1/2	25	25		6500	Sherrill	25 1/2	25 1/2	25 1/2	- 1/4
23000	Bk of Montreal	83 1/2	32 1/2	32 1/2	- 1/4	1100	Fanning A	11 1/2	14 1/2	14 1/2		6600	Sherrill	25 1/2	25 1/2	25 1/2	- 1/4
23000	Bk of Montreal	83 1/2	32 1/2	32 1/2	- 1/4	1100	Fanning B	11 1/2	14 1/2	14 1/2		6700	Sherrill	25 1/2	25 1/2	25 1/2	- 1/4
23000	Bk of Montreal	83 1/2	32 1/2	32 1/2	- 1/4	1100	Fanning C	11 1/2	14 1/2	14 1/2		6800	Sherrill	25 1/2	25 1/2	25 1/2	- 1/4
23000	Bk of Montreal	83 1/2	32 1/2	32 1/2	- 1/4	1100	Fanning D	11 1/2	14 1/2	14 1/2		6900	Sherrill	25 1/2	25 1/2	25 1/2	- 1/4
23000	Bk of Montreal	83 1/2	32 1/2	32 1/2	- 1/4	1100	Fanning E	11 1/2	14 1/2	14 1/2		7000	Sherrill	25 1/2	25 1/2	25 1/2	- 1/4
23000	Bk of Montreal	83 1/2	32 1/2	32 1/2	- 1/4	1100	Fanning F	11 1/2	14 1/2	14 1/2		7100	Sherrill	25 1/2	25 1/2	25 1/2	- 1/4
23000	Bk of Montreal	83 1/2	32 1/2	32 1/2	- 1/4	1100	Fanning G	11 1/2	14 1/2	14 1/2		7200	Sherrill	25 1/2	25 1/2	25 1/2	- 1/4
23000	Bk of Montreal	83 1/2	32 1/2	32 1/2	- 1/4	1100	Fanning H	11 1/2	14 1/2	14 1/2		7300	Sherrill	25 1/2	25 1/2	25 1/2	- 1/4
23000	Bk of Montreal	83 1/2	32 1/2	32 1/2	- 1/4	1100	Fanning I	11 1/2	14 1/2	14 1/2		7400	Sherrill	25 1/2	25 1/2	25 1/2	- 1/4
23000	Bk of Montreal	83 1/2	32 1/2	32 1/2	- 1/4	1100	Fanning J	11 1/2	14 1/2	14 1/2		7500	Sherrill	25 1/2	25 1/2	25 1/2	- 1/4
23000	Bk of Montreal	83 1/2	32 1/2	32 1/2	- 1/4	1100	Fanning K	11 1/2	14 1/2	14 1/2		7600	Sherrill	25 1/2	25 1/2	25 1/2	- 1/4
23000	Bk of Montreal	83 1/2	32 1/2	32 1/2	- 1/4	1100	Fanning L	11 1/2	14 1/2	14 1/2		7700	Sherrill	25 1/2	25 1/2	25 1/2	- 1/4
23000	Bk of Montreal	83 1/2	32 1/2	32 1/2	- 1/4	1100	Fanning M	11 1/2	14 1/2	14 1/2		7800	Sherrill	25 1/2	25 1/2	25 1/2	- 1/4
23000	Bk of Montreal	83 1/2	32 1/2	32 1/2	- 1/4	1100	Fanning N	11 1/2	14 1/2	14 1/2		7900	Sherrill	25 1/2	25 1/2	25 1/2	- 1/4
23000	Bk of Montreal	83 1/2	32 1/2	32 1/2	- 1/4	1100	Fanning O	11 1/2	14 1/2	14 1/2		8000	Sherrill	25 1/2	25 1/2	25 1/2	- 1/4
23000	Bk of Montreal	83 1/2	32 1/2	32 1/2	- 1/4	1100	Fanning P	11 1/2	14 1/2	14 1/2		8100	Sherrill	25 1/2	25 1/2	25 1/2	- 1/4
23000	Bk of Montreal	83 1/2	32 1/2	32 1/2	- 1/4	1100	Fanning Q	11 1/2	14 1/2	14 1/2		8200	Sherrill	25 1/2	25 1/2	25 1/2	- 1/4
23000	Bk of Montreal	83 1/2	32 1/2	32 1/2	- 1/4	1100	Fanning R	11 1/2	14 1/2	14 1/2		8300	Sherrill	25 1/2	25 1/2	25 1/2	- 1/4
23000	Bk of Montreal	83 1/2	32 1/2	32 1/2	- 1/4	1100	Fanning S	11 1/2	14 1/2	14 1/2		8400	Sherrill	25 1/2	25 1/2	25 1/2	- 1/4
23000	Bk of Montreal	83 1/2	32 1/2	32 1/2	- 1/4	1100	Fanning T	11 1/2	14 1/2	14 1/2		8500	Sherrill	25 1/2	25 1/2	25 1/2	- 1/4
23000	Bk of Montreal	83 1/2	32 1/2	32 1/2	- 1/4	1100	Fanning U	11 1/2	14 1/2	14 1/2		8600	Sherrill	25 1/2	25 1/2	25 1/2	- 1/4
23000	Bk of Montreal	83 1/2	32 1/2	32 1/2	- 1/4	1100	Fanning V	11 1/2	14 1/2	14 1/2		8700	Sherrill	25 1/2	25 1/2	25 1/2	- 1/4
23000	Bk of Montreal	83 1/2	32 1/2	32 1/2	- 1/4	1100	Fanning W	11 1/2	14 1/2	14 1/2		8800	Sherrill	25 1/2	25 1/2	25 1/2	- 1/4
23000	Bk of Montreal	83 1/2	32 1/2	32 1/2	- 1/4	1100	Fanning X	11 1/2	14 1/2	14 1/2		8900	Sherrill	25 1/2	25 1/2	25 1/2	- 1/4
23000	Bk of Montreal	83 1/2	32 1/2	32 1/2	- 1/4	1100	Fanning Y	11 1/2	14 1/2	14 1/2		9000	Sherrill	25 1/2	25 1/2	25 1/2	- 1/4
23000	Bk of Montreal	83 1/2	32 1/2	32 1/2	- 1/4	1100	Fanning Z	11 1/2	14 1/2	14 1/2		9100	Sherrill	25 1/2	25 1/2	25 1/2	- 1/4
23000	Bk of Montreal	83 1/2	32 1/2	32 1/2	- 1/4	1100	Fanning AA	11 1				9200	Sherrill	25 1/2	25 1/2	25 1/2	- 1/4

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3:15 pm prices February 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	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NASDAQ NATIONAL MARKET

3:00 pm prices February 26

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3:00 pm prices February 26

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AMERICA

Dow falls in spite of pleasing orders data

Wall Street

BETTER-than-expected economic statistics and further successes in the Gulf war failed to entice investors into the market yesterday morning, and prices edged lower on a lack of demand rather than a wave of selling, writes Patrick Harrington in New York.

At 1.30 pm the Dow Jones Industrial Average was down 27.72 at 2,880.15, near its low for the session. All other indices were down at the half-way stage, with the Standard & Poor's 500 off 4.11 at 333.15 by 1 pm and the Nasdaq composite of secondary stocks down 4.37 at 446.72. Big board turnover was below the levels of recent days at 100m shares by 1 pm, while declining issues outnumbered advancing issues by a

ratio of almost three to one. The course of the ground war in the Middle East appeared to have little effect on sentiment. "The market regarded the war as all but over a long time ago," remarked one analyst.

More attention was focused on the durable goods orders for January, which showed a 0.7 per cent decline in the month. This was better than market forecasts, and the underlying figure (minus defence and aircraft orders) of a 0.1 per cent fall was even more encouraging.

However, investors remained unwilling to buy shares in any size, with most of the appetite for stock apparent before the war started now fully sated. Analysts expected the current period of consolidation, interspersed with occasional profit-

taking, to continue for the immediate future.

One bright spot in the market was the oil sector. A feeling that oil and oil-related stocks had been oversold in recent weeks prevailed, and some investors turned bargain-hunters. Another rise in oil prices also aided the sector.

Among the big producers, Texaco rose 1% to \$51.4, Exxon gained 1% to \$54. Chevron added \$1 to \$72. Mobil rose 7% to \$59.4 and Atlantic Richfield climbed 1% to \$127.4.

In the oil service sector, Global Marine put on \$% to \$4% and Parker Drilling firmed \$% to \$8%.

Boeing also stood out against the trend, holding firm at \$46% on turnover of 1.2m shares in the wake of a bullish estimate of aircraft demand for the

next 15 years.

A big decline was posted by Cyclops Industries, the steel products group, which plunged \$5 to \$14 on the surprise news that the planned takeover by Arco had collapsed. Arco shares also fell, dropping 5% to \$5%.

United Air Lines slumped 4% to \$140% on the heels of two negative reports from brokers. Merrill Lynch downgraded its investment rating of UAL, while Smith Barney cut its earnings estimates for the airline.

Talley Industries dropped 1% to \$6% after the aerospace, industrial and consumer products company slashed its dividend by 60 per cent and announced a fourth quarter loss of \$17.2m, including a \$27m pre-tax charge against earnings.

Financial News Network climbed 3% to \$4% in busy trading after the company agreed to sell its media operations to CNBC for \$105m, and not to Westinghouse and Dow Jones as had previously been expected.

Canada

TORONTO stocks drifted lower in cautious midday trade as investors continued to take profits after the sharp gains earlier this month.

Fears over the size of Canada's deficit, which was due to be revealed when the new federal budget package was presented later in the day, also spurred some selling.

The composite index lost 18.8 to 3,426.8. Declines led advances by 333 to 138 on volume of 9.7m shares.

EUROPE

Frankfurt drops 2.7% on corporate tax surcharge

MOST BOURSES retreated on profit-taking yesterday, with Frankfurt using the details of a tax surcharge as the excuse. Stockholm continued to advance, however, as Saab-Scania's share price jumped by more than a third, after Monday's news that the Wallenberg family was offering to buy the outstanding shares in the truck and aerospace group, writes Our Markets Staff.

FRANKFURT dropped 2.7 per cent after news that the coalition government had agreed on a larger-than-expected 7.5 per cent surcharge on income and corporate tax for one year, as part of the plan to pay for unification. A rise in fuel taxes was in line with expectations.

Dealers said that there was some uncertainty about how the surcharge would affect earnings per share calculations for 1991, as most German company accounts are based on a calendar year while the surcharge is effective from July 1.

However, dealers added that the market had been ripe for a correction and the tax news had prompted both domestic and foreign selling. The real-time DAX index closed at the day's low of 1,558.24, down 42.51, while the FAZ index, calculated at mid-session, eased 14.92 or 2.2 per cent to 633.39. Volume was unremarkable.

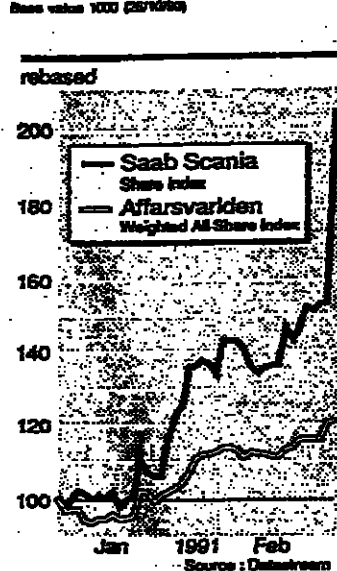
SEATTLE fell sharply after the recent gains. The composite index closed at 677.27, down 15.35 or 2.2 per cent, on volume of 10.2m shares. The S&P 500 rose to 333.15, but fell to 333.15 on volume of 1.2m shares.

Tongil was the most active stock with 1.5m shares traded. It fell from \$200 to \$190 on reports that the Office of National Tax Administration was investigating the group.

JAKARTA weakened 15.62 or 3.7 per cent to 414.40 as heavy selling by state bank-linked brokers reversed recent gains. The selling was triggered by devaluation rumours.

BOMBAY rallied on the reports from the Gulf. The S&P index gained 37.33 to 1,205.20. Brokers called off their boycott of the exchange, which had hit trading on Monday.

FT-SE Eurotrack 100 - Feb 26							
Hourly changes							
Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1057.41	1054.80	1055.91	1058.08	1054.34	1054.17	1052.33	1050.66
Day's High				Day's Low			
1058.93				1048.31			
Feb 25		Feb 26		Feb 27		Feb 28	
1071.33		1053.96		1047.96		1036.67	



on news that Mr Silvio Berlusconi, the majority shareholder, was seeking to buy 4.8m shares, or 17 per cent of the capital, from unnamed minority shareholders at market.

AMSTERDAM closed mixed as a round of profit-taking and a weak opening on Wall Street erased the gains of the previous two days. The CBS Ten-day index fell 1.2 to 68.2 in light turnover of 1.66m.

Unilever shed 12.50 to 150.90 after reporting a modest gain in 1990 net profits but a welcome rise in the dividend to 15.27 from 14.72.

ZURICH retreated on profit-taking, the Credit Suisse index losing 6.9 or 1.3 per cent to 630.4. The financial sector declined on the belief that interest rates were unlikely to fall any further.

Adia rose 5.25 to 57.95 on expectations, fulfilled after the close, that Omni, the major shareholder, would sell its stake to Asko of Germany.

MADRID fell as investors took profits. The general index dropped 4.73 to 382.58, with banking and utility stocks bearing the brunt of selling.

BRUSSELS lost its early gains in uncertain trading. While the cash market index edged up 1.88 to 5,580.24, the forward market index fell. Société Générale de Belgique gained 1.30 to 12.315, after the cancellation of transactions for much of the previous day following a trading error.

HELSINKI kept rising, the Unitas all-share index adding 6.0 to 389.5, but COPENHAGEN eased. Den Danske Bank was active for a second day, with 319,363 shares traded. The shares hit DKK322, before subsiding to DKK319, down DKK0.5.

ISTANBUL and ATHENS both rose 2.7 per cent, the Turkish 75-share index adding 140.74 to 5,433 and the Greek general index 33.73 to 1,274.37.

Profit-taking sets in as Gulf excitement fades

Tokyo

SHARE PRICES ended lower after a volatile session yesterday, as initial euphoria following reports that Iraqi President Saddam Hussein had ordered his troops to withdraw from Kuwait went off and profit-taking emerged, writes Emiko Terazono in Tokyo.

The Nikkei average rose in the morning on buying by investors in trusts, but programme selling towards the end of the afternoon depressed prices and the index closed down 179.80 on balance at 26,282.96. Volume expanded to 1bn shares, with 700m shares traded in the morning, from Monday's total of 650m.

Prices fluctuated as reports on the Gulf came in. The Nikkei reached the day's high of 26,709.80 soon after the opening and fell to a low of 26,255.46 just before the close. Mr Dan Kerrigan at County NatWest said: "The market is tired after the recent surge, and people are trading on rumours and technical factors."

Advances led declines by 533 to 474, while 144 issues were unchanged. The Topix index of all first section stocks shed 10.35 to 1,933.09, and in London the ISE Nikkei 50 index eased 2.30 to 1,488.36.

Traders said the market lacked direction and investors

were cautious. Mr Yoichi Kamina at S.G. Warburg said that technical analysts were advising clients to sell, because the positive post-war factors had already been discounted by the market.

Blue chip electricals lost ground as dealers liquidated positions that could not be passed on to clients. Hitachi receded 750 to 11,260 and Toshiba 750 to 11,260.

Oil refiners were bought on reports of a cut in wholesale prices of oil products in March. Nippon Oil, the most active issue of the day, rose 750 to 11,220 and Mitsubishi Oil gained 750 to 11,270.

Interest rate-sensitive issues were lower as short-term rates remained firm, with the overnight call rate staying above 8 per cent. Utilities fell, with Tokyo Gas closing down 732 at 976 and Tokyo Electric Power 970 lower at 14,100.

Speculative issues succumbed to profit-taking. Honshu Paper, the speculators' favourite, retreated 250 to 11,480 on reports that a Singapore investor, who held options to buy more than 30 per cent of the outstanding stock, had decided not to exercise the contracts after all. Other speculative stocks also declined, with Takuma falling 730 to 11,460 and Kurabo losing 730 to 11,270.

Daito Trust and Construc-

tion climbed 7400 to 111,900 on the Nagoya Stock Exchange. The company announced a 100 per cent grant issue on Monday.

Tosoh, a chemical company, ended 115 up at 9,671, after briefly hitting its daily price fluctuation limit on news that it had developed a new catalyst to remove nitrogen oxides.

In Osaka, the OSE average gained 404.78 to 29,095.36 on volume of 120.5m shares. Dai-Dan, an engineering firm, climbed 770 to 73,460 on speculation that it would list its shares on the Tokyo exchange.

Roundup

WALL STREET's muted response to the success of the ground war to liberate Kuwait dampened sentiment in several Pacific Rim markets yesterday.

NEW ZEALAND retreated after Monday's 3.1 per cent surge. The Barclays index fell 17.35 or 1.3 per cent to 1,354.26 in turnover of NZ\$13.7m. Brierley Investments shed 3 cents to NZ\$1.06. The first-half profits report is due on March 7.

AUSTRALIA weakened at the start but then rebounded to end at the day's best.

The All Ordinaries index closed a net 1.0 up at 1,413.4, after slipping to 1,397.1 in the first two hours of trading. Turnover dipped to A\$204m

from Monday's A\$210m.

MANILA dropped in a technical correction after a three-week rally which had taken the market to a 10-month high. The composite index fell 29.71 or 3 per cent to 976.33, while turnover rose to 255m pesos from 227m pesos.

TAIWAN fell back on profit-taking. The weighted index finished at 1,539.46, down 17.9 or 3.5 per cent. Volume eased to 1,784.7m from 1,788.8m. Dealers expected liquidity to drop until the end of next month as individuals and companies paid their income tax bills.

News that outstanding margin loans reached a record 17,630m also spurred worries of potential selling.

BANGKOK made an expected recovery, bouncing 5.7 per cent as fears about the military takeover calmed. The SET index recouped 41.90 to 776.14.

SINGAPORE continued to climb. The Straits Times Industrial index gained 15.52 or 1.1 per cent to 1,432.78. Foreign registry shares in Singapore Airlines and DBS were actively traded. Singapore Airlines foreign shares rose 90 cents to S\$17.30 with 1.1m exchanged, while DBS foreign shares put on 60 cents to S\$21.60. Volume rose to S\$268m from S\$203.5m.

KUALA LUMPUR's composite index moved ahead 6.85 or 1.2 per cent to 563.47, while trading volume increased to

131.5m shares from 99.5m.

HONG KONG ended modestly higher after volatile trading. The Hang Seng index added 11.98 at 3,532.43. Turnover rose to HK\$1.62bn from HK\$1.2bn.

SEOUL fell sharply after the recent gains. The composite index closed at 677.27, down 15.35 or 2.2 per cent, on volume of 10.2m shares. The S&P 500 rose to 333.15, but fell to 333.15 on volume of 1.2m shares.

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SOUTH AFRICA

GOLD SHARES recovered on the back of firmer bullion prices. Vaal Reefs rose 28 to R172. The JSE all-gold index added 28 to 999, while the industrial index rose 2 to 3,513. The all-share index ended 1 lower at 2,788.

Fidelity focuses on eastern potential

John Elliott examines one fund management company's Asian plans

FIDELITY Investments, the US and Bermuda-based fund management company, has set itself a new target for expansion outside its established areas of the US and Europe.

Mr Geoffrey Mansfield, the Hong Kong-based regional managing director, says: "We expect to duplicate in Asia what we did in the UK." He says that in 10 years the company has become one of the biggest in the UK, both in terms unit trust sales, at £1.1bn (US\$2.1bn), and assets under management.

In practice, at on a rather shorter timescale, that ambition means matching Jardine Fleming, the regional market leader, which says it has more than US\$7bn under management in Asia including Tokyo, and overtaking the Hongkong and Shanghai Banking's Wardley offshoot, which has more than US\$5bn.

At present Fidelity has US\$4.3bn under management in Asia, all of which is invested in the region, out of a total US\$120bn under management worldwide. The US\$4.3bn is

down from US\$4.7bn ruling early last year, because of the decline in Asian stock markets. There is no fixed investment policy governing Fidelity's expansion, except that all the money managed in Asia is invested in Asia.

Mr Mansfield says there are no guidelines about spreading certain percentages of investments around chosen countries, except where investment is fixed in a country fund. These funds are started in places with underdeveloped markets which are liberalising their investment laws.

"We work from the bottom up and find companies that are attractive and we buy stocks that are undervalued, picking companies not countries," he adds.

Mr Richard Wastcoat, marketing director, comments: "If

there is any industrial pattern, it is that currently we go for utilities and some other companies in Hong Kong because they have more predictable earnings potential, and for construction and other infrastructure assets in south-east Asia that can rapidly increase their earnings. We also look especially to undervalued small

'We work from the bottom up and find companies that are attractive and we buy stocks that are undervalued, picking companies not countries'

and medium-sized companies."

Fidelity started its new Asian drive early last year with heavy marketing because of the potential created by rapid increases in the region's personal wealth, and because countries are gradually opening their markets up to outside investors and fund managers.

Earlier it had started with offices which developed slowly in Tokyo in 1989, Hong Kong in 1991, Australia in 1986 and (more successfully) Taiwan in

1987. It opened in Singapore last month.

About 60 per cent of the US\$4bn comes from institutions and is invested at their request directly in Asian equities, mostly in Japan. The other 40 per cent or US\$1.7bn is retail business raised through named trusts; at present it is invested on a rough 50:50 split between Japan and southeast Asia, including Hong Kong and Taiwan.

This US\$1.7bn includes US\$100m in seven Asia-oriented funds, which form part of a package of 20 Luxembourg-based Fidelity Funds launched last October. The seven include five country funds - Japan, Hong Kong, Malaysia, Singapore and Thailand - and two regional funds called South East Asia and Asean.

There is also US\$290m in three closed-end funds managed by Fidelity in Thailand, Taiwan and Indonesia, US\$800m in Fidelity's UK unit trusts sold to UK investors, and US\$160m in other offshore and managed funds sold in Europe and Asia.

البنك السعودي الأمريكي
Saudi American Bank

FINANCIAL HIGHLIGHTS

AS OF DECEMBER 31, 1990

	Dec' 31 1990	Dec' 31 1989
Assets	SR '000	SR '000
Cash and Due from Banks	11,370,895	13,558,365
Loans and Advances (net)	7,784,807	6,591,844
Bonds and Securities	9,171,185	5,125,305
Other Assets	1,545,592	1,269,269
	29,872,479	26,544,783
Liabilities and Shareholders' Funds		
Customer Deposits	22,411,382	20,735,679
Due to Banks and Other Liabilities	5,004,796	3,879,351
Shareholders' Funds	2,456,301	1,929,753
	29,872,479	26,544,783
Contra Accounts	34,263,266	23,911,331
Statement of Earnings		
Operating Revenue	997,695	893,610
Less: Operating Expenses	(397,746)	(369,818)
Total Operating Income	599,949	523,792
Reserve for possible loan losses	(73,401)	(102,094)
Net Income	526,548	421,698

For further information, please contact:
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Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS																
	MONDAY FEBRUARY 25 1991								FRIDAY FEBRUARY 22 1991				DOLLAR INDEX			
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Div. Index	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990/91 High	1989/91 Low	Year ago (approx)
Australia (79)	133.58	+1.7	102.99	112.60	105.74	113.46	+2.0	6.04	131.34	100.16	109.79	102.70	111.29	158.31	112.74	138.00
Austria (19)	218.75	-0.4	188.65	184.39	173.15	172.47	+1.3	1.58	219.63	187.50	183.67	171.73	170.28	285.83	167.00	251.12
Belgium (80)	149.14	-0.7	114.98	125.71	118.05	115.30	+1.3	5.11	180.17	114.69	125.83	117.42	113.88	180.02	121.73	186.94
Canada (118)	137.08	-0.2	105.70	115.58	108.51	114.36	-0.2	3.51	137.40	104.78	107.43	114.62	103.61	121.24	127.32	145.40
Denmark (32)	268.97	-0.1	207.37	226.72	212.90	213.55	+1.3	1.82	230.31	205.38	225.14	210.58	217.82	272.27	217.74	245.40
Finland (21)	114.43	-0.2	88.22	96.46	90.58	88.10	+1.3	3.19	114.68	87.45	95.86	86.88	102.29	90.81	121.24	136.94
France (113)	148.06	+0.5	114.15	124.80	117.19	120.19	+1.6	3.43	147.32	112.35	123.15	115.18	118.28	168.85	121.85	141.00
Germany (88)	124.26	+0.5	98.80	104.73	98.35	98.35	+1.8	2.31	123.60	94.28	103.34	98.84	96.64	144.83	101.38	123.00
Hong Kong (48)	142.65	+0.9	108.98	120.24	112.92	142.73	+0.9	7.00	141.40	107.84	118.20	110.57	141.43	147.49	112.24	117.00
Ireland (16)	189.76	+1.1	130.88	143.09	134.37	136.78	+2.3	3.34	187.15	127.43	138.74	130.29	136.67	193.88	168.88	188.00
Italy (91)	85.23	+1.0	98.02	74.36	90.83	74.97	+3.0	0.37	87.35	96.61	73.01	98.29	73.62	72.05	92.21	105.00
Japan (453)	144.29	+1.5	111.25	121.63	114.23	121.63	+2.3	10.70	142.21	108.48	118.65	111.21	118.89	197.26	106.58	189.00
Malaysia (34)	228.84	-0.6	176.43	192.89	181.14	238.54	-0.3	3.16	220.23	175.58	182.45	180.01	239.38	280.85	182.96	250.00
Mexico (12)	601.32	+0.8	463.61	506.87	475.97	1057.90	+0.8	0.35	586.06	455.04	498.79	468.55	1942.07	613.96	324.53	385.00
Netherlands (41)	142.73	+0.7	110.04	120.31	112.98	111.72	+1.8	4.84	141.71	108.08	118.47	110.81	109.70	149.03	125.70	138.00
New Zealand (15)	48.77	+3.2	37.80	41.73	38.85	43.34	+3.2	7.84	47.26	36.04	39.51	38.95	42.00	76.38	40.00	50.00
Norway (30)	208.80	-1.0	180.89	175.58	184.88	188.01	+0.6	1.86	210.32	180.47	175.82	184.48	187.00	276.73	182.24	229.00
Singapore (25)	191.98	+0.1	148.01	161.83	151.98	151.91	+0.1	2.74	191.74	146.25	160.28	149.93	151.72	208.24	172.24	196.00
South Africa (60)	201.14	+2.8	155.07	169.54	159.21	136.78	+2.0	3.88	195.57	149.15	163.48	162.91	251.39	151.50	107.00	147.00
Spain (41)	168.40	+1.4	129.83	141.95	133.29	120.87	+2.5	4.96	165.11	128.68	138.87	128.88	117.98	182.25	128.54	147.00
Sweden (27)	191.58	+1.6	147.71	161.49	151.85	160.24	+2.9	2.55	188.54	143.79	157.82	147.43	155.88	148.60	161.00	175.00
Switzerland (65)	198.82	+1.0	76.58	84.15	70.53			2.56	98.85	75.89	65.06					
United Kingdom (25)	180.54	-0.1	139.19	152.18	142.99	139.19	+1.0	5.08	180.71	137.82	151.62	142.29	137.82	182.40	138.87	154.00
USA (525)	148.84	+0.5	114.75	125.67	117.82	148.84	+0.5	3.30	148.16	112.99	123.86	115.85	146.16	145.05	119.06	133.00
Europe (940)	149.01	+0.3	114.88	125.61	117.95	116.74	+1.5	4.01	148.53	113.28	124.17	116.14	115.04	157.85	124.91	138.00
Nordic (110)	192.43	+0.5	149.13	183.05	158.11	151.43	+1.9	2.07	192.50	146.61	180.93	150.52	148.86	223.29	155.56	175.00
Pacific Basin (650)	143.48	+1.4	110.82	120.34	113.57	121.86	+2.2	1.04	141.43	107.86	118.23	110.89	119.00	159.77	107.82	157.00
Euro-Pacific (1590)	146.10	+1.0	112.84	123.14	115.94	120.44	+1.9	2.28	144.68	110.32	120.95	113.18	118.18	174.18	116.03	146.00
World Ex. U.S. (242)	146.10	+1.0	112.84	123.14	115.94	120.44	+1.9	2.28	144.68	110.32	120.95	113.18	118.18	174.18	116.03	146.00
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World Ex. U.S. (242)	146.10	+1.0	112.84	123.14	115.94	120.44	+1.9	2.28	144.68	110.32	120.95	113.18	118.18	174.18	116.03	146.00
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World Ex. U.S. (242)	146.10	+1.0	112.84	123.14	115.94	120.44	+1.9	2.28	144.68	110.32	120.95	113.18	118.18	174.18	116.03	146.00
World Ex. U.S. (242)	146.10	+1.0	112.84	123.14	115.94	120.44	+1.9	2.28	144.68	110.32	120.95	113.18	118.18	174.18	116.03	146.00
World Ex. U.S. (242)	146.10	+1.0	112.84	123.14	115.94	120.44	+1.9	2.28	144.68	110.32	120.95	113.18	118.18	174.18	116.03	146.00
World Ex. U.S. (242)	146.10	+1.0	112.84	123.14	115.94	120.44	+1.9	2.28	144.68	110.32	120.95	113.18	118.18	174.18	116.03	146.00
World Ex. U.S. (242)	146.10	+1.0	112.84	123.14	115.94	120.44	+1.9	2.28	144.68	110.32	120.95	113.18	118.18	174.18	116.03	146.00
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World Ex. U.S. (242)	146.10	+1.0	112.84	123.14	115.94	120.44	+1.9	2.28	144.68	110.32	120.95	113.18	118.18	174.18	116.03	146.00
World Ex. U.S. (242)	146.10	+1.0	112.84	123.14	115.94	120.44	+1.9	2.28	144.68	110.32	120.95	113.18	118.18	174.18	116.03	146.00
World Ex. U.S. (242)	146.10															